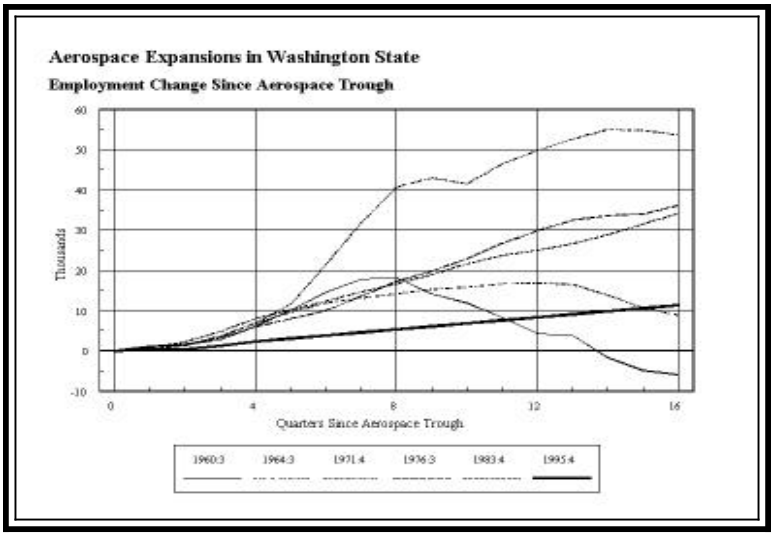
Washington Economic and Revenue Forecast



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Explanation of the Cover Graph

A crucial assumption in the February economic and revenue forecast is the expectation of a turnaround in Washington's aerospace industry. After shedding 39,000 jobs (excluding the strike in the fourth quarter of 1995) over nearly six years, the forecast assumes increasing aerospace employment through 1999. The cover chart compares this aerospace expansion with the previous five upturns. The effect of strikes in the 1976:3 and 1995:4 cycles has been removed. As can be seen in the chart, the current forecast is conservative in comparison with previous expansions, particularly in the near term. The February forecast expects only 2,300 additional aerospace jobs during the first four quarters while the earlier expansions ranged from 6,000 to 8,000 in the first year. After two years of growth, the previous expansions ranged from 14,200 to 40,700 new aerospace jobs while the forecast for this cycle is an increase of only 5,300. The longer term outlook is cloudier. The forecast calls for continued, but relatively slow growth through 1999. In two of the five cycles, though, the employment gain over four years was less than is expected in this forecast.

Washington Economic and Revenue Forecast

Prepared by the
Office of the Forecast Council

February 1996
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Preface

The Office of the Forecast Council is required by Chapter 231, Section 34, Laws of 1992 (RCW 82.33.020) to prepare a quarterly state economic and revenue forecast and submit it to the Forecast Council. This report presents the state's economic and General Fund-State revenue forecast. It is issued four times a year.

Copies are available to Washington State businesses and residents for $4.50 per copy, and to those out-of-state for $9.00 per copy. You may contact our office for more subscription information at (360) 586-6785 or by writing the Office of the Forecast Council, Post Office Box 40912, Olympia, WA. 98504-0912.

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5 Special Report: Chain Weight Real Gross Domestic Product

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Chapter 1

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

Due to the shutdown of most federal government statistical agencies, only one month of new employment, price, and GDP data had been generated since the last economic and revenue forecast in November. The government shutdown also delayed the release of the comprehensive revision of the national income and product accounts (NIPA) which was not available in time for this forecast. **As a result, this forecast is based on the advance (1987 fixed weight) GDP estimate for the third quarter of 1995 which was released October 27**. The most important innovation in the comprehensive revision of the NIPA is the substitution of chain weights for fixed (1987) weights in the calculation of real GDP. The chain weights allow for the effects of changes in relative prices over time. The previous fixed weight methodology suffered from a "substitution bias" for periods other than those close to the base year. The revised GDP estimates for the third quarter of 1995 indicate real growth of 3.2 percent compared to 4.2 percent in the forecast. Most of the discrepancy is due to the use of chain weights in the revised estimates, however. Had the chain weight methodology been used in the advance estimate, the GDP growth rate reported in this forecast would have been 3.0 percent. The revised estimate for final sales growth was 3.5 percent, slightly stronger than the advance estimate of 3.0 percent on a chain weighted basis. Consumption spending increased 2.9 percent compared to 2.3 percent in the chain weighted advance estimate. Business fixed investment growth was also revised up to 5.3 percent from 4.7 percent in the advance chain weighted estimate but residential investment growth was revised down from 10.8 percent to 8.4 percent. The foreign sector appeared stronger in the revised estimates as chain weighted export growth was revised up from 3.8 percent to 8.3 percent and import growth was lowered from 2.6 percent to 1.2 percent. Federal government purchases fell 5.5 percent in the revised estimates compared to an increase of 1.6 percent in the in the chain weighted advance estimate but state and local government spending growth was revised up from 2.0 percent to 2.8 percent.

Despite the lack of official economic data, the economy appears to be slowing. The Christmas season was clearly disappointing with retailers reporting the smallest year-over-year gains since the 1990-91 recession and purchasing managers are reporting a weakening manufacturing sector. The federal government shutdown and bad weather will also hurt economic performance in the winter months. The economic news that has emerged since this forecast was prepared reinforces the view that the economy is weakening. Payroll employment declined sharply in January while the unemployment rate rose. Consumer confidence plunged to its lowest level in two years and the Purchasing Managers composite index continued to slide. The Federal Reserve responded to the weakening economy, cutting the federal funds rate from 5.75 percent to 5.5 percent December 20 and another quarter point to 5.25 percent on February 1. The forecast expects one more quarter point reduction in mid 1996. Relatively slow growth is expected in the first half of 1996 due largely to an inventory correction. Growth is expected to pick up in the second half of the year. This forecast is the first to extend through the 1997-99 biennium. The pause in economic growth in the first half of 1996 is expected to ease inflationary concerns, setting the groundwork for steady, though unspectacular, growth through the next biennium. The forecast calls for real GDP (1987 fixed weight basis) to slow from 3.2 percent in 1995 to 2.1 percent in 1996. Growth is expected to recover to 2.7 percent in

1997, 2.4 percent in 1998, and 2.6 percent in 1999. Inflation is expected to remain subdued throughout the forecast. The implicit price deflator for personal consumption expenditures (1987 fixed weight basis), which rose only 2.2 percent in 1995, is expected to increase 2.1 percent in 1996, 2.3 percent in 1997, 2.4 percent in 1998, and 2.6 percent in 1999.

U.S. Forecast Highlights

1. Real GDP growth accelerated to 3.9 percent in fiscal 1995 from a strong 3.5 percent in 1994. The quarterly data indicate a slowdown is already under way, however, though the forecast does not expect a recession. Growth is expected to slow to 2.5 percent in fiscal 1996 and 2.3 percent in 1997. A modest recovery is expected in the next biennium, however. Real GDP is expected to increase 2.6 percent in fiscal 1998 and 2.4 percent in 1999.

2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated slightly in fiscal 1995 to 2.4 percent from a 29 year low 2.1 percent in 1994. The "soft landing" in the current biennium and modest growth in the next biennium should forestall any significant acceleration of inflation throughout the forecast. The inflation rate is expected to dip to 1.9 percent in fiscal 1996, rising to 2.3 percent in 1997 and 1998 and 2.5 percent in 1999.

3. With growth slowing but remaining positive, the economy appears to have achieved the desired "soft landing." The Federal Reserve has lowered the federal funds rate three times since July 1995 from 6.00 percent to 5.25 percent in February 1996. The Federal funds rate is expected to drop to 5.00 by mid-year and remain at that level throughout the forecast. The three month Treasury Bill will follow suit, declining to 4.59 percent in the third quarter of 1996 and remaining in the 4.6 to 4.7 percent range through the remainder of the forecast. The mortgage rate, which peaked at 9.10 percent in the fourth quarter of 1994, is expected to continue to decline to 6.78 percent in the third quarter of 1996. Mortgage rates are expected to remain below 7.0 percent through 1999.

4. Housing starts jumped 0.122 million units in the third quarter of 1995 following two quarterly declines totaling 0.228 million units. Starts are believed to have peaked in the third quarter, however, and are expected to decline through 1996 due to a decline in consumer confidence. A modest recovery in housing starts is expected during 1997, 1998, and 1999, however.

5. Despite the slowdown in real growth in 1995, the U.S. unemployment rate has remained low. The unemployment rate in the fourth quarter is believed to be 5.58 percent, virtually unchanged since the cyclical low of 5.53 in the first quarter. Continued sluggish growth in the first half of 1996 should nudge the unemployment rate up slightly to 5.75 percent by the end of the year. With the economy growing at about its long run potential, little change in the unemployment rate is expected in 1997, 1998, and 1999.

6. Thanks to strong growth, discretionary spending cuts, and the 1993 tax increases, the federal budget deficit continued to drop in fiscal 1995 to $148.3 billion from $191.6 billion in 1994 and $271.6 billion in 1993. The deficit is expected to be essentially unchanged in fiscal 1996 at $150.2 billion. While a balanced budget is not expected within the forecast horizon, continued fiscal restraint and economic growth will produce a steadily declining deficit. The deficit is expected to decline to $138.7 billion in fis-

cal 1997, $111.5 billion in 1998, and $96.1 billion in 1999.

7. The trade deficit (national income and product accounts basis) is expected to remain relatively constant in fiscal 1996, edging up to $111.9 billion from $111.1 billion in 1995. The forecast expects little change in the deficit during the remainder of this biennium or in the next biennium. The trade gap is expected to shrink to $109.5 billion in 1997, $104.0 billion in 1998, and $103.6 billion in 1999.

Table 1.1 provides a fiscal year summary of the U.S. economic indicators.

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through December 1995. This forecast is based on adjusted employment estimates through December 1995 as described in **Adjustments to Economic Data**. The adjusted employment estimates indicate that total nonfarm employment fell 0.5 percent in the fourth quarter of 1995 compared to a modest 1.2 percent increase in the third quarter. The fourth quarter decline was entirely due to the Boeing labor dispute, which reduced reported employment in the quarter by 15,000. Had there been no strike, employment in the fourth quarter would have increased at an annual rate of 2.1 percent. Manufacturing employment fell 14,900 in the fourth quarter, which represents a 16.8 percent rate of decline. Without the Boeing strike, however, manufacturing employment would have edged up 100, a 0.1 percent gain. Durable goods manufacturing employment fell 15,700, a 25.1 percent reduction from the third quarter. Excluding the strike, durable manufacturing employment would have declined only 700 (1.2 percent.) Without the strike, aerospace employment would have declined 1,300 in the fourth quarter, more than accounting for the decline in durable manufacturing employment. Transportation equipment other than aerospace was also weak in the fourth quarter of 1995, declining by 500 (12.8 percent.) Aside from transportation equipment, durable manufacturing employment growth was strong in the fourth quarter. Employment in machinery grew 500 while metals employment and lumber and wood products employment were each up 300. Nondurable manufacturing employment increased 700 (6.4 percent) in the fourth quarter of 1995. The gain was entirely due to food and kindred products which also rose 700 (6.4 percent) in the quarter. Nonmanufacturing employment rose a healthy 12,200 in the fourth quarter for an average annual growth rate of 2.4 percent. Employment in every sector except state and local government increased in the quarter. Services employment increased 4,600 for a 2.9 percent gain and trade grew 3,800 or 2.6 percent.

As a result of the Federal government shutdown and bad weather in January, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) was not able to update the quarterly state personal income estimates in January. Normally, revised estimates through the second quarter of 1995 and preliminary estimates for the third quarter would be available at this time. Wage estimates for all sectors except federal government and agriculture for the second and third quarters of 1995 were derived from the Covered Employment and Payrolls data produced by the Employment Security Department (see **Adjustments to Economic Data**.) The preliminary BEA estimates were used for federal government wages, farm wages and nonwage personal income in the second quarter while the model was used to estimate these components in the third quarter. The third quarter personal income estimate of $128.589 billion represents a reduction of $0.291 billion (0.2 percent) from the November forecast. The estimate for wage and salary disbursements in the third quarter was $0.168 billion (0.2 percent) lower than the November forecast assumed while the nonwage personal income estimate was $123 billion (0.2 percent) lower than expected.

The number of housing units authorized by building permits rose to 38,500 in October 1995 and 47,000 in November from 30,000 in September. The December figure is not yet available due to the federal government shutdown. The forecast assumes 37,900 units in December, producing 41,100 units in the fourth quarter. The November forecast had expected 37,900 permits in the quarter. The outlook for housing activity has improved since November due to lower mortgage interest rates.

Adjustments to Economic Data

Analysis of the preliminary covered employment and payrolls data for the second quarter of 1995 indicates that the BEA's preliminary personal income estimate for wage and salary disbursements is too low. Since the BEA will eventually benchmark its wage and salary estimates to the covered employment and payrolls data for all sectors except agriculture and the federal government, wage and salary disbursements for these industries have been adjusted up a total of $681 million in the second quarter. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as all nonwage components of personal income in the second quarter. Due to the federal government shutdown, third quarter personal income estimates were not available in time for this forecast. The covered employment and payrolls data were used to estimate wages for all sectors except agriculture and the federal government. The model was solved for the other components of personal income.

This forecast utilizes alternative employment estimates which incorporate covered employment and payrolls data through the third quarter of 1995. In addition, the employment estimates for the second and third quarters of 1995 have been adjusted up by 2,900 to reflect the average historical revision to the covered employment and payrolls data. Finally, the employment pattern from September 1995 to December 1995 has been adjusted to reflect the average revision between the growth in the preliminary, sample based employment estimates and the final, covered employment and payrolls based estimates during these months. While the monthly pattern is different, the overall growth from September to December in the adjusted series is very close to the official CES growth in this period.

Washington State Forecast Highlights

The strike by 22,500 Boeing machinists in the fourth quarter of 1995 lasted 69 days, 24 days longer than assumed in the November 1995 forecast. As expected in November, the striking workers were not counted as employed in October and November but were counted in December. As a result, the strike lowered reported payroll employment by 15,000 in the fourth quarter. The wages lost as a result of the strike were offset by bonus payments in the fourth quarter of 1995 and first quarter of 1996, however.

After a decline of 39,000 since the first quarter of 1990 (excluding the impact of the Boeing strike) Washington aerospace employment is assumed to have reached a trough in the fourth quarter of 1995. Washington aerospace employment is expected to increase 2,000 in the second half of 1996 and 3,000 per year in 1997, 1998, and 1999. Hanford related employment has declined 4,800 since the peak in August 1994. The forecast assumes reductions of another 2,000 Hanford employees during 1996. The electrical machinery employment forecast incorporates Intel's announcement that it will build a plant at DuPont. The Intel plant is assumed to increase employment in this sector by 1,000 per year through 1999.

1. Real personal income growth increased to 3.1 percent in fiscal 1995 from 2.0 percent in 1994. Stronger employment growth and higher interest rates were largely responsible for the improvement. Real income growth is expected to increase again in 1996 to 3.7 percent largely as a result of strong

average wage growth. Slower real income growth is expected for the remainder of the current biennium and next biennium, however. Real personal income is expected to rise 2.7 percent in fiscal 1997, 3.0 percent in 1998, and 3.2 percent in 1999.

2. Nominal personal income growth also increased in fiscal 1995 to 5.7 percent from 4.2 percent the previous year as a result of stronger real growth and an increase in inflation. Personal income growth should remain relatively constant in 1996 as strong real growth is offset by a drop in inflation. The forecast expects income growth of 5.6 percent in fiscal 1996. Both inflation and real income growth are expected to remain moderate throughout the forecast. The forecast calls for personal income to grow 5.1 percent in fiscal 1997, 5.4 percent in 1998, and 5.7 percent in 1999.

3. Washington wage and salary employment surged 2.6 percent in fiscal 1995, the strongest showing since 1991. Despite continued cutbacks in aerospace, manufacturing employment posted a 0.3 percent gain for the first increase in this sector since 1990. Employment growth is expected to decelerate as the U.S. economy slows. The forecast calls for employment growth to drop to 1.6 percent in 1996, rebounding to 2.7 percent in 1997 and 1998 and 2.8 percent in 1999.

- Lumber and wood products employment increased 300 in the fourth quarter of 1995 to 35,500. Employment in this sector has shown little change since declining sharply in the 1990-91 recession. Employment remains 7,000 lower than the cyclical peak in the fourth quarter of 1988 as timber supply constraints have reduced Washington's share of the nation's wood products employment. Lumber and wood products employment is expected to continue to trend down through the remainder of the forecast as a result of sluggish national growth, regional supply constraints, and improved productivity. By the end of 1999 employment is expected to have declined 1,000 to 34,500.

- Officially, aerospace employment plunged 16,300 in the fourth quarter of 1995 to 63,900. The fourth quarter decline was mostly the result of the Boeing machinists' strike, however, which reduced reported employment by 15,000. Excluding the strike effect, aerospace employment declined only 1,300 to 78,900. Washington aerospace employment has declined 39,000 since a peak of 117,900 in the first quarter of 1990. The forecast assumes that the fourth quarter of 1995 marked the trough in Washington's aerospace cycle. The upturn is expected to be moderate compared with past cycles as Boeing continues to push for higher productivity. Aerospace employment is expected to increase a total of 11,300 by the end of 1999.

- Construction employment increased 800 in the fourth quarter of 1995 to 123,000. While the construction boom of the late 1980's ended in mid 1990, employment has continued to growth over the last five years at an average rate of 0.8 percent per year. Only modest construction employment growth is expected in the forecast, however, due to slower population growth. Construction employment is expected to increase 1,000 by the end of 1996 and a total of 5,000 by the end of 1999, which represents an average annual growth rate of 1.0 percent per year.

- Employment growth in the finance, insurance, and real estate sector turned

positive in the fourth quarter of 1995, rising at a strong 5.1 percent annual rate. Employment in this sector had declined 3.8 percent during the previous six quarters due to the unwinding of the refinancing boom that resulted from the low interest rates of late 1993 and early 1994. Employment in this sector is expected to grow 2.0 percent during 1996, slowing to an average rate of 1.6 percent per year through 1999.

- Retail trade employment increased at a 2.4 percent rate in the fourth quarter of 1995, in line with the 2.5 percent growth for all four quarters of 1995. The forecast expects a relatively sluggish 2.2 percent growth rate in 1996 due to slumping consumer confidence, slower population growth, and the lagged effects of last year's aerospace cuts. With a resumption of U.S. growth and a turnaround at Boeing, retail trade employment growth is expected to rebound in 1997, 1998, and 1999 to an average annual rate of 3.2 percent per year.

- In spite of substantial reductions in Hanford cleanup employment, services sector employment rose at a 2.9 percent annual rate in the fourth quarter of 1995 and 4.0 percent over the year earlier level. Services employment is expected to continue to outperform the overall economy, slowing slightly to 3.4 percent during the next four quarters but recovering to an average annual rate of 3.9 percent during the rest of the forecast.

- State and local government employment declined 0.1 percent in the fourth quarter and was only 1.1 percent above the year-ago level. Relatively strong growth is expected in this sector, however, due to an improving local economy and rapid growth in the school-age population. State and local government employment growth is expected to increase to 3.3 percent during 1996, slowing slightly to and average rate of 2.7 percent per year in the final three years of the forecast.

4. The number of housing units authorized by building permit declined 5.5 percent in fiscal 1995 to 42,100 from a cyclical peak of 44,500 in 1994. Despite lower mortgage interest rates, slower population growth and declining consumer confidence are expected to result in a 9.0 percent decline to 38,300 in fiscal 1996. Housing activity, particularly in the multi-family market, is expected to improve during the remainder of the forecast as population growth picks up. The forecast expects 40,400 units in 1997, 43,400 in 1998, and 46,100 in 1999.

5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased to 3.5 percent in fiscal 1995 from 2.9 percent in 1994. Despite the uptick, the local inflation rate remains well below the cyclical high of 7.6 percent in 1991, though somewhat higher than the U.S. rate of 2.9 percent. Continued moderate U.S. inflation combined with the lagged impact of a weak local economy are expected to hold the local inflation rate to 2.5 percent per year in fiscal 1996 and 1997. As economic growth and net migration increase later in the forecast, regional inflation is also expected to rise. The forecast expects the Seattle CPI to rise 2.7 percent in fiscal 1998 and 3.2 percent in 1999.

Table 1.2 provides a fiscal year summary of the state economic indicators.

Alternative Forecasts

As required by statute, two alternatives to the baseline forecast have also been adopted by the Forecast Council. One of these was based on

more optimistic economic assumptions than the baseline and one was based on more pessimistic assumptions. These alternatives are summarized in Table 1.3.

The optimistic alternative forecast assumes that the economy has a potential growth rate of 3.0 percent per year (1987 fixed weight basis) rather than 2.5 percent as in the baseline forecast. As a result, the economy can sustain higher growth with low inflation. The impetus for higher growth comes from higher consumer confidence and a continuation of the investment boom of the last three years. Because potential GDP growth is higher than in the baseline and inflation remains under control, the Fed's stance remains relatively accommodative. These adjustments were supplemented at the state level with higher personal income, a stronger rebound in aerospace employment than assumed in the baseline forecast, and higher wage and price growth in Washington. Population growth and construction employment were also enhanced in the optimistic alternative. By the end of the 1995-97 biennium, Washington nonagricultural employment is 55,000 higher than in the baseline forecast and Washington personal income is $5.7 billion higher. The optimistic scenario generated $508 million (2.9 percent) more General Fund-State Revenue in the 1995-97 biennium than did the baseline forecast.

A recession in 1996 is still possible. In the pessimistic alternative forecast, deteriorating consumer confidence and a sharper inventory correction than in the baseline forecast turn the current slowdown into an outright recession. In this "hard landing" scenario, real GDP declines 1.3 percent from the peak in the first quarter of 1996 to the trough in the third quarter of 1996. Inflation is lower than in the baseline due to the slack economy. Interest rates are also lower as the Fed attempts to stimulate the economy. Locally, the aerospace industry continues to contract rather than expand as in the baseline forecast. Washington wages and prices grow more slowly than in the baseline forecast and Washington personal income is lower. Population growth is also lower in this scenario as is construction employment growth. At the end of the 1995-97 biennium, Washington nonagricultural employment is 70,100 lower than in the baseline forecast and Washington personal income is $7.5 billion lower. The pessimistic scenario produced $602 million (3.5 percent) less revenue in 1995-97 than did the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. The differences between the Governor's Council scenario and the baseline were insignificant. The GCEA forecast for the U.S. economy in fiscal 1996 was virtually identical to the baseline forecast in all respects. The Governor's Council members expected slightly higher real growth, inflation, and interest rates in fiscal 1997 than did the baseline forecast, however. The GCEA forecast for Washington State was also very similar to the baseline forecast. The Governor's Council members agreed with the baseline forecast of employment and real income growth in both fiscal 1996 and 1997. The GCEA nominal personal income growth forecast was slightly higher than the baseline, though, due to the higher inflation forecast. The Governor's Council members expected slightly more housing permits in fiscal 1996 but fewer in 1997 than in the baseline forecast. At the end of the 1995-97 biennium, Washington nonagricultural employment is 400 lower in the GCEA scenario than in the baseline forecast but Washington personal income is $0.4 billion higher. The Governor's Council scenario generated just $17 million (0.1 percent) more General Fund-State revenue in the 1995-97 biennium than did the baseline forecast.

TABLE 1.1 FISCAL YEARS

U.S. Economic Forecast Summary
Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Real National Income Accounts (Billions of 1987 Dollars)								
Real Gross Domestic Product	4906.7	5058.0	5233.2	5439.7	5576.7	5706.6	5855.5	5998.8
% Ch	0.7	3.1	3.5	3.9	2.5	2.3	2.6	2.4
Real Consumption	3293.0	3404.4	3520.7	3633.1	3741.8	3846.8	3936.5	4023.9
% Ch	0.9	3.4	3.4	3.2	3.0	2.8	2.3	2.2
Real Nonresidential Fixed Investment	513.2	553.4	631.7	723.9	795.8	824.8	872.3	920.9
% Ch	-3.7	7.8	14.2	14.6	9.9	3.6	5.8	5.6
Real Residential Fixed Investment	183.0	205.3	224.8	228.1	230.2	227.0	230.7	238.2
% Ch	5.4	12.2	9.5	1.5	0.9	-1.4	1.6	3.3
Real Personal Income	4097.8	4214.6	4323.0	4499.5	4639.8	4735.2	4832.4	4933.7
% Ch	1.0	2.8	2.6	4.1	3.1	2.1	2.1	2.1
Real Per Capita Income ($/Person)	16,107	16,392	16,643	17,153	17,520	17,715	17,916	18,132
% Ch	-0.1	1.8	1.5	3.1	2.1	1.1	1.1	1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.216	1.252	1.278	1.309	1.333	1.364	1.396	1.430
% Ch	3.3	2.9	2.1	2.4	1.9	2.3	2.3	2.5
U.S. Consumer Price Index (1982-84=1.0)	1.383	1.426	1.463	1.505	1.545	1.588	1.631	1.679
% Ch	3.2	3.1	2.6	2.9	2.7	2.7	2.7	3.0
Employment Cost Index (June 1989=1.0)	1.105	1.134	1.169	1.203	1.239	1.281	1.321	1.361
% Ch	3.4	2.6	3.1	2.9	3.1	3.4	3.1	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	5856.2	6187.2	6525.5	6924.1	7219.2	7529.9	7872.8	8236.5
% Ch	4.0	5.7	5.5	6.1	4.3	4.3	4.6	4.6
Personal Income	4984.4	5275.8	5524.1	5890.3	6187.2	6459.8	6745.0	7057.1
% Ch	4.4	5.8	4.7	6.6	5.0	4.4	4.4	4.6
Employment (Millions)								
U.S. Civilian Labor Force	126.0	127.5	129.6	131.8	133.0	134.5	135.9	137.5
Total U.S. Employment	117.1	118.3	121.1	124.3	125.5	126.8	128.1	129.6
Unemployment Rate (%)	7.12	7.19	6.52	5.69	5.62	5.74	5.73	5.74
Wage and Salary Employment	108.22	109.48	112.29	115.56	117.41	119.05	120.78	122.67
% Ch	-0.6	1.2	2.6	2.9	1.6	1.4	1.5	1.6
Manufacturing	18.23	18.08	18.15	18.44	18.24	17.94	17.82	17.70
% Ch	-2.6	-0.8	0.4	1.6	-1.1	-1.7	-0.6	-0.7
Durable Manufacturing	10.40	10.24	10.29	10.56	10.54	10.30	10.17	10.06
% Ch	-4.0	-1.6	0.5	2.6	-0.2	-2.2	-1.2	-1.1
Nondurable Manufacturing	7.83	7.85	7.86	7.88	7.70	7.64	7.65	7.64
% Ch	-0.8	0.2	0.1	0.3	-2.2	-0.9	0.2	-0.1
Nonmanufacturing	89.99	91.40	94.14	97.13	99.17	101.11	102.95	104.96
% Ch	-0.2	1.6	3.0	3.2	2.1	2.0	1.8	2.0
Services	28.63	29.60	30.80	32.19	33.32	34.42	35.55	36.61
% Ch	1.8	3.4	4.1	4.5	3.5	3.3	3.3	3.0
Miscellaneous Indicators								
Auto Sales (Millions)	8.4	8.5	9.1	9.0	8.9	8.9	9.1	9.1
% Ch	-4.9	1.0	6.8	-0.9	-1.2	0.8	1.4	0.5
Housing Starts (Millions)	1.131	1.204	1.396	1.393	1.365	1.289	1.305	1.354
% Ch	10.8	6.5	15.9	-0.2	-2.0	-5.6	1.2	3.7
Federal Budget Surplus (Billions)	-256.0	-271.6	-191.6	-148.3	-150.2	-138.7	-111.5	-96.1
Net Exports (Billions)	-19.0	-48.2	-83.1	-111.1	-111.9	-109.5	-104.0	-103.6
3-Month Treasury Bill Rate (%)	4.37	3.02	3.32	5.27	5.08	4.65	4.66	4.64
30-Year U.S. Govt. Bond Rate (%)	7.93	7.23	6.59	7.54	6.16	5.74	5.70	5.49
Mortgage Rate (%)	8.84	7.85	7.47	8.63	7.24	6.87	6.90	6.76

TABLE 1.2 FISCAL YEARS

Washington Economic Forecast Summary
Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Real Income (Billions of 1987 Dollars)								
Real Personal Income	86.292	90.110	91.956	94.835	98.345	100.986	104.049	107.365
% Ch	3.8	4.4	2.0	3.1	3.7	2.7	3.0	3.2
Real Wage and Salary Disb.	49.440	51.335	51.722	53.130	55.170	56.854	58.729	60.685
% Ch	3.8	3.8	0.8	2.7	3.8	3.1	3.3	3.3
Real Nonwage Income	36.852	38.775	40.234	41.704	43.175	44.132	45.320	46.680
% Ch	3.7	5.2	3.8	3.7	3.5	2.2	2.7	3.0
Real Per Capita Income ($/Person)	16,911	17,251	17,276	17,507	17,887	18,096	18,315	18,535
% Ch	1.3	2.0	0.1	1.3	2.2	1.2	1.2	1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.216	1.252	1.278	1.309	1.333	1.364	1.396	1.430
% Ch	3.3	2.9	2.1	2.4	1.9	2.3	2.3	2.5
Seattle Cons. Price Index (1982-84=1.0)	1.365	1.411	1.452	1.502	1.539	1.578	1.621	1.673
% Ch	4.0	3.3	2.9	3.5	2.5	2.5	2.7	3.2
Avg. Hourly Earnings-Mfg. ($/Hour)	13.58	13.91	14.22	14.45	14.12	14.60	14.85	15.15
% Ch	3.8	2.4	2.3	1.6	-2.3	3.4	1.7	2.0
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	103.991	111.672	116.356	123.301	130.151	136.774	144.223	152.524
%Ch	7.2	7.4	4.2	6.0	5.6	5.1	5.4	5.8
Personal Income	104.965	112.798	117.502	124.147	131.146	137.769	145.231	153.574
%Ch	7.2	7.5	4.2	5.7	5.6	5.1	5.4	5.7
Disposable Personal Income	91.678	98.540	102.231	107.899	113.900	120.005	126.491	133.756
%Ch	7.7	7.5	3.7	5.5	5.6	5.4	5.4	5.7
Per Capita Income ($/Person)	20,569	21,594	22,074	22,917	23,852	24,686	25,564	26,512
%Ch	4.7	5.0	2.2	3.8	4.1	3.5	3.6	3.7
Employment (Thousands)								
Washington Civilian Labor Force	2581.7	2681.0	2707.6	2748.3	2816.1	2869.6	2936.2	3009.5
Total Washington Employment	2402.4	2472.9	2517.9	2581.1	2636.1	2693.9	2763.6	2837.1
Unemployment Rate (%)	6.94	7.76	7.01	6.08	6.39	6.12	5.88	5.73
Wage and Salary Employment	2201.4	2235.8	2275.4	2334.0	2371.5	2434.4	2501.1	2571.3
%Ch	1.9	1.6	1.8	2.6	1.6	2.7	2.7	2.8
Manufacturing	349.9	344.4	337.3	338.3	329.3	338.0	345.4	352.6
%Ch	-2.8	-1.6	-2.1	0.3	-2.7	2.6	2.2	2.1
Durable Manufacturing	249.1	242.0	232.5	230.8	220.7	228.0	233.3	238.4
%Ch	-2.6	-2.9	-3.9	-0.7	-4.4	3.3	2.3	2.2
Aerospace	114.8	107.8	96.5	89.4	75.6	81.5	84.5	87.5
%Ch	-0.4	-6.1	-10.5	-7.4	-15.4	7.8	3.8	3.5
Nondurable Manufacturing	100.8	102.5	104.8	107.5	108.6	110.0	112.2	114.3
%Ch	-3.4	1.6	2.3	2.6	1.0	1.3	2.0	1.9
Nonmanufacturing	1851.5	1891.3	1938.0	1995.7	2042.2	2096.4	2155.7	2218.7
%Ch	2.8	2.2	2.5	3.0	2.3	2.7	2.8	2.9
Construction	118.7	118.5	121.9	123.0	122.7	124.3	125.4	127.0
%Ch	0.4	-0.1	2.9	0.9	-0.2	1.2	0.9	1.3
Services	546.7	568.2	585.8	611.6	634.2	657.2	684.9	712.0
%Ch	5.1	3.9	3.1	4.4	3.7	3.6	4.2	4.0
Housing Indicators								
Housing Units Authorized (Thousands)	36.941	38.245	44.523	42.053	38.269	40.356	43.375	46.093
%Ch	0.2	3.5	16.4	-5.5	-9.0	5.5	7.5	6.3
Mortgage Rate (%)	8.84	7.85	7.47	8.63	7.24	6.87	6.90	6.76

TABLE 1.3

Comparison of Alternative Forecasts

	Fiscal Year 1995				Fiscal Year 1996				Fiscal Year 1997			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	5439.7	5439.7	5439.7	5439.7	5589.6	5576.7	5549.9	5575.6	5769.1	5706.6	5578.7	5707.1
% Ch	3.9	3.9	3.9	3.9	2.8	2.5	2.0	2.5	3.2	2.3	0.5	2.4
Implicit Price Deflator	1.309	1.309	1.309	1.309	1.333	1.333	1.333	1.334	1.358	1.364	1.360	1.366
% Ch	2.4	2.4	2.4	2.4	1.8	1.9	1.8	1.9	1.9	2.3	2.0	2.4
Mortgage Rate	8.63	8.63	8.63	8.63	7.39	7.24	7.08	7.25	7.52	6.87	6.26	6.97
3 Month T-Bill Rate	5.27	5.27	5.27	5.27	5.20	5.08	4.84	5.10	5.37	4.65	3.54	4.74
Washington												
Real Personal Income	94.835	94.835	94.835	94.835	99.278	98.345	97.353	98.335	104.713	100.986	96.708	100.983
% Ch	3.1	3.1	3.1	3.1	4.7	3.7	2.7	3.7	5.5	2.7	-0.7	2.7
Personal Income	124.148	124.148	124.148	124.148	132.318	131.146	129.760	131.167	142.254	137.769	131.492	137.972
% Ch	5.7	5.7	5.7	5.7	6.6	5.6	4.5	5.7	7.5	5.1	1.3	5.2
Employment	2334.0	2334.0	2334.0	2334.0	2377.4	2371.5	2363.9	2371.6	2474.0	2434.4	2379.8	2435.3
% Ch	2.6	2.6	2.6	2.6	1.9	1.6	1.3	1.6	4.1	2.7	0.7	2.7
Housing Permits	42.053	42.053	42.053	42.053	38.915	38.269	36.632	38.560	44.178	40.356	34.973	40.209
% Ch	-5.5	-5.5	-5.5	-5.5	-7.5	-9.0	-12.9	-8.3	13.5	5.5	-4.5	4.3

(O) Optimistic; (B) Baseline; (P) Pessimistic; (G) Governor’s Council of Economic Advisors

TABLE 1.4

Forecast Analysis

Comparison of Forecasts for 1995-97

Forecast Date	1994				1995				1996				1997	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 95:2-97:2														
Real GDP	5.4	4.9	5.7	5.4	4.9	5.2	4.9	5.1	5.1					
Implicit Price Deflator	6.4	6.9	6.3	6.1	6.1	5.5	5.4	4.8	4.2					
Average Rate, 95:2 to 97:2														
3 Month T-Bill Rate	3.27	3.43	4.35	4.56	5.10	5.14	4.82	5.00	4.86					
Mortgage Rate	7.38	7.61	8.05	8.21	8.36	7.98	7.58	7.57	7.06					
Washington														
Percent Growth, 95:2-97:2														
Employment	5.4	5.1	5.8	6.0	4.4	3.8	4.7	5.6	4.7					
Personal Income	12.2	12.6	13.7	13.8	11.4	10.9	11.1	11.4	10.5					
Real Personal Income	5.5	5.3	7.0	7.2	4.9	5.1	5.4	6.3	6.0					
Total, 95:2-97:2														
Housing Units Authorized (Thousands)	63.3	65.6	62.9	75.3	74.4	71.8	75.7	74.7	78.6					

TABLE 1.5 FISCAL YEARS

Forecast Comparison

	1995	1996	1997
U.S.			
Real GDP			
February Baseline	5439.7	5576.7	5706.6
% Ch	3.9	2.5	2.3
November Baseline	5439.7	5564.7	5710.2
% Ch	3.9	2.3	2.6
Implicit Price Deflator			
February Baseline	1.309	1.333	1.364
% Ch	2.4	1.9	2.3
November Baseline	1.309	1.336	1.370
% Ch	2.4	2.1	2.5
U.S. Unemployment Rate			
February Baseline	5.69	5.62	5.74
November Baseline	5.69	5.66	5.80
Mortgage Rate			
February Baseline	8.63	7.24	6.87
November Baseline	8.60	7.58	7.56
3 Month T-Bill Rate			
February Baseline	5.27	5.08	4.65
November Baseline	5.27	5.12	4.88
Washington			
Real Personal Income			
February Baseline	94.835	98.345	100.986
% Ch	3.1	3.7	2.7
November Baseline	94.787	98.188	101.046
% Ch	3.1	3.6	2.9
Personal Income			
February Baseline	124.148	131.146	137.769
% Ch	5.7	5.6	5.1
November Baseline	124.085	131.227	138.480
% Ch	5.6	5.8	5.5
Employment			
February Baseline	2334.0	2371.5	2434.4
% Ch	2.6	1.6	2.7
November Baseline	2339.2	2391.6	2459.4
% Ch	2.8	2.2	2.8
Housing Permits			
February Baseline	42.053	38.269	40.356
% Ch	-5.5	-9.0	5.5
November Baseline	42.053	36.207	38.494
% Ch	-5.5	-13.9	6.3

TABLE 1.6

Long Range Economic Outlook

Forecast 1996 to 2006

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
U.S.*											
Real GDP, % Ch	2.1	2.7	2.4	2.6	2.6	2.3	2.2	2.3	2.2	2.2	2.3
Implicit Price Deflator, % Ch	2.1	2.3	2.4	2.6	2.7	2.9	2.9	3.0	3.2	3.3	3.6
3 Month T-Bill Rate	4.73	4.68	4.64	4.64	4.64	4.43	4.21	4.21	4.21	4.21	4.21
Mortgage Rate	6.89	6.93	6.84	6.67	6.58	6.37	6.25	6.25	6.28	6.32	6.35
State**											
Real Personal Income, % Ch	3.2	2.8	3.1	3.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, % Ch	5.4	5.2	5.5	6.1	5.3	5.4	5.5	5.6	5.8	5.9	6.2
Employment, % Ch	2.2	2.6	2.8	2.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0

* February 1996 Baseline (1996-1999) extended with the DRI January 1996 Trendlong Forecast.

** February 1996 Baseline (1996-1999) judgmentally extended through 2006.

Comparison of Washington and U.S. Economic Forecasts

CHART 1.1

Total Nonagricultural Employment

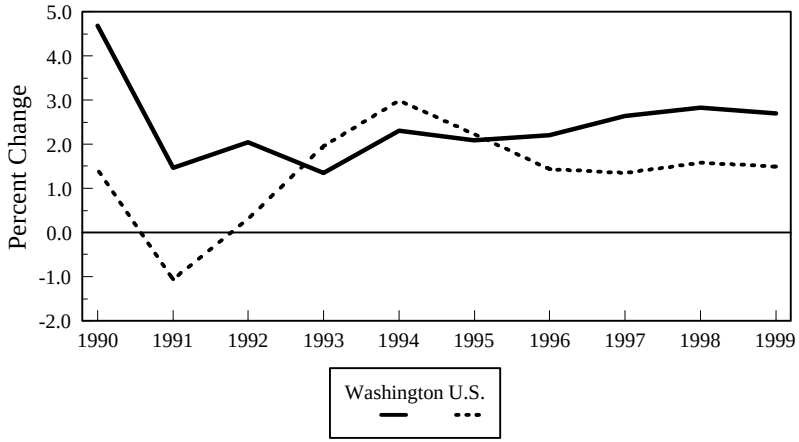


CHART 1.2

Manufacturing Employment

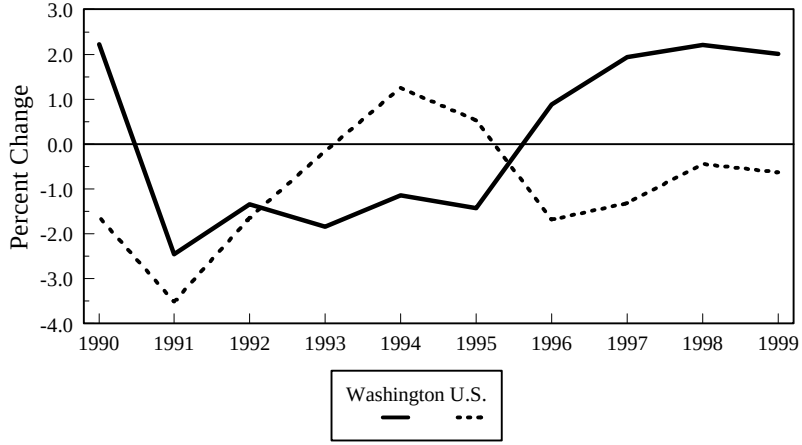


CHART 1.3

Aerospace Employment

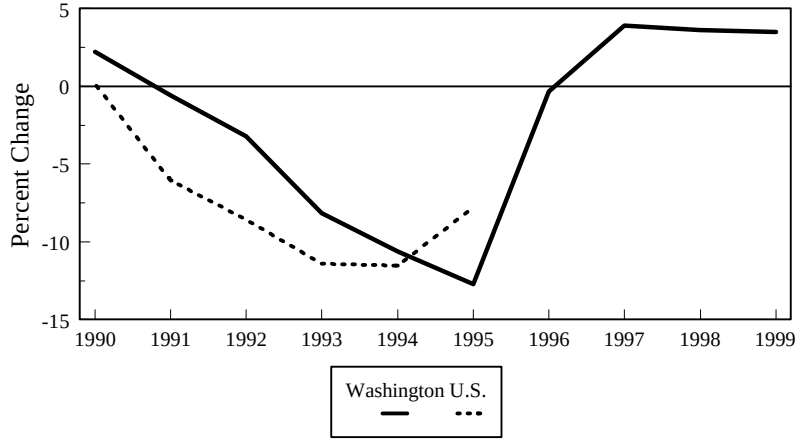
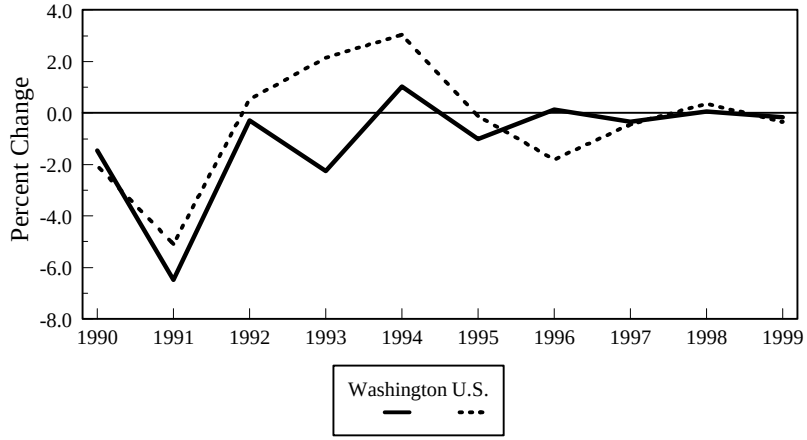


CHART 1.4

Forest Products Employment



Comparison of Washington and U.S. Economic Forecasts

CHART 1.5

Construction Employment

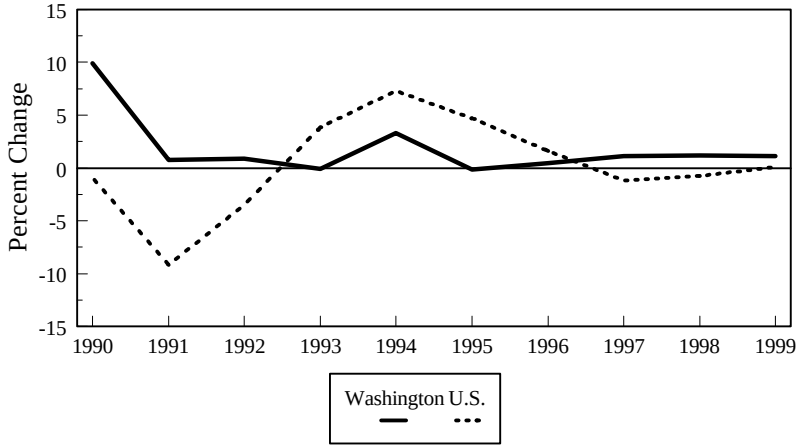


CHART 1.6

Trade Employment

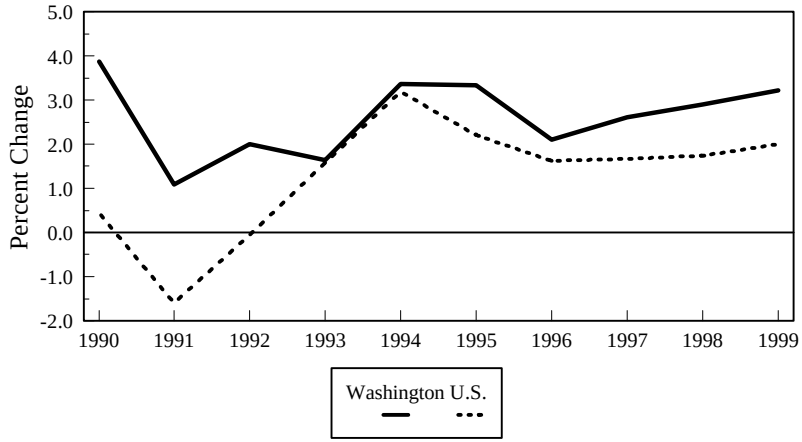


CHART 1.7

Services Employment

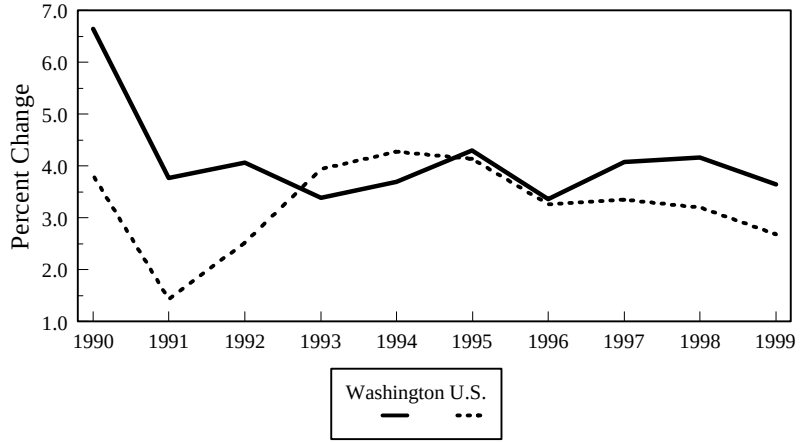
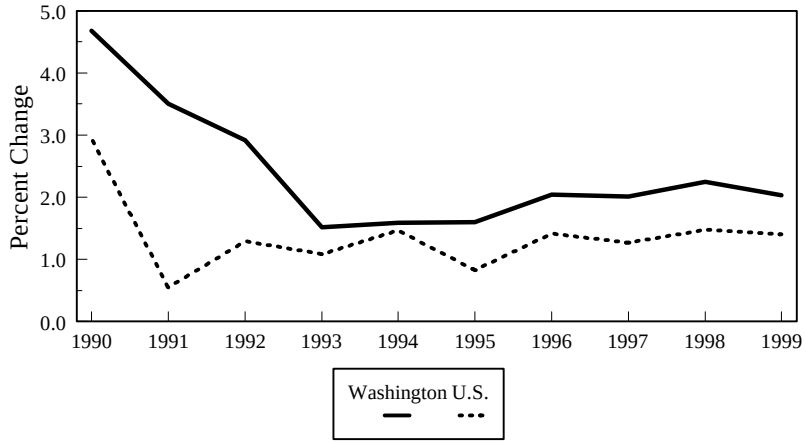


CHART 1.8

Government Employment



Comparison of Washington and U.S. Economic Forecasts

CHART 1.9

Real Personal Income

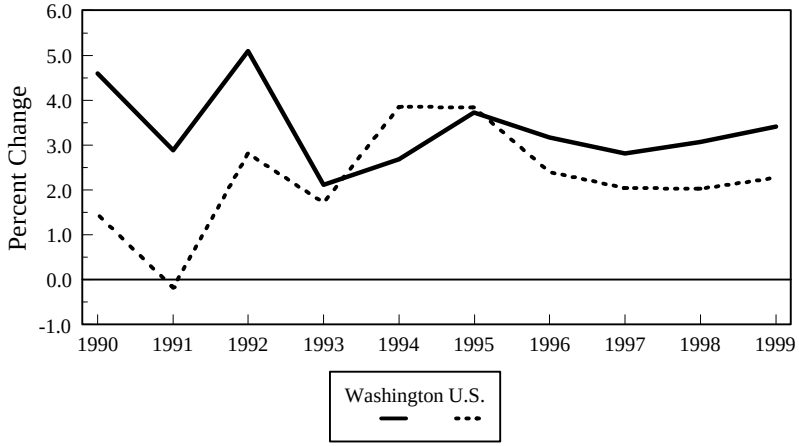


CHART 1.10

Consumer Price Indices

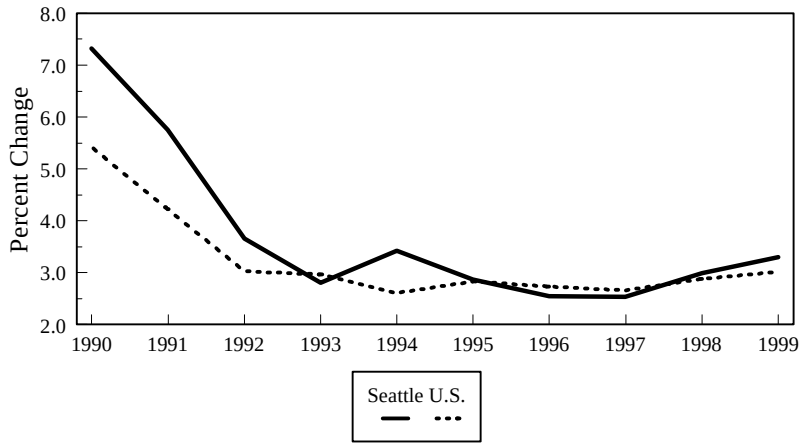


CHART 1.11

Population

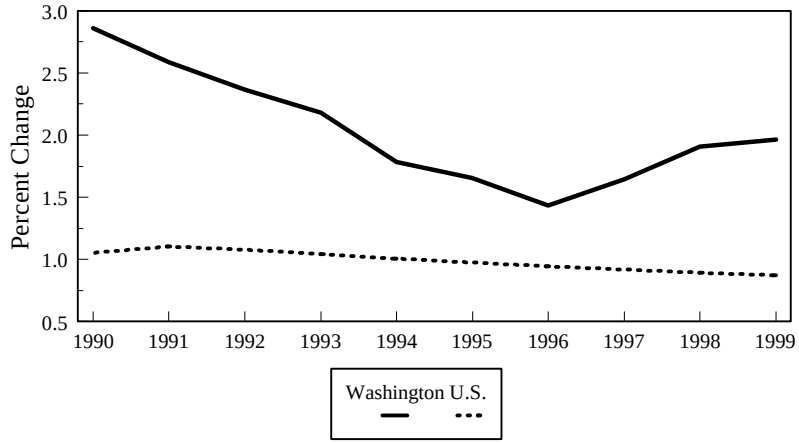
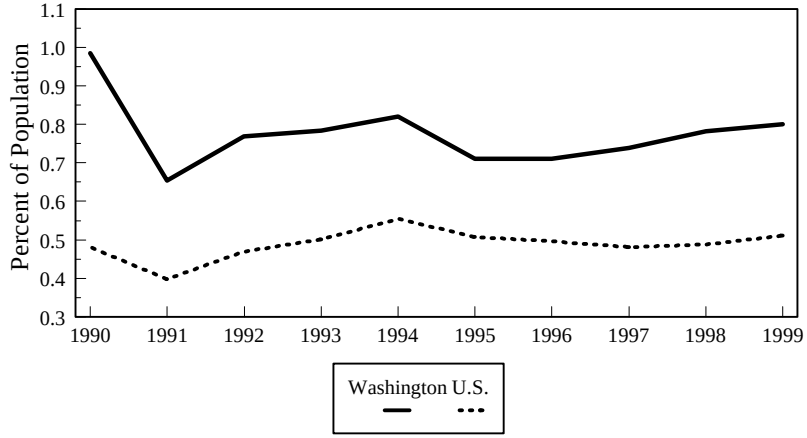


CHART 1.12

Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

CHART 1.13

Real GDP

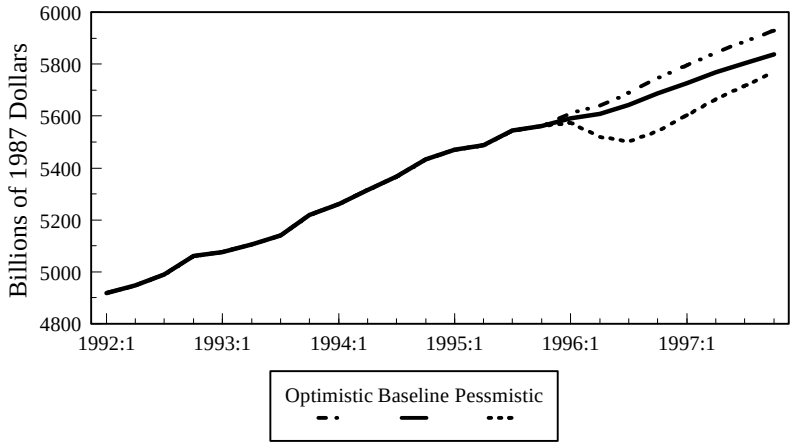


CHART 1.14

Implicit Price Deflator

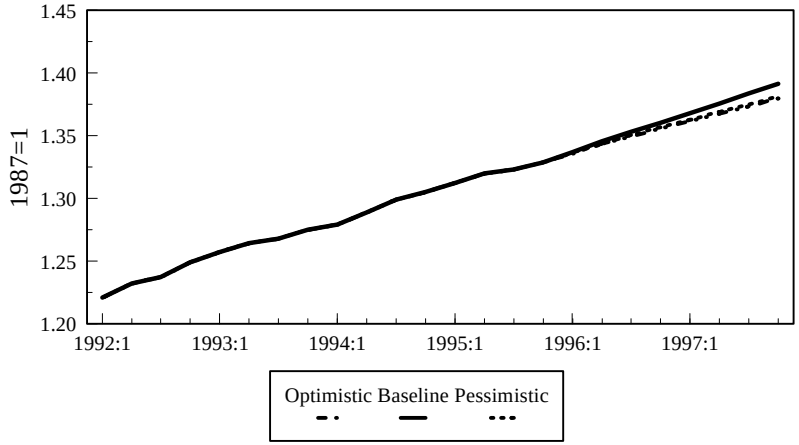


CHART 1.15

Mortgage Rate

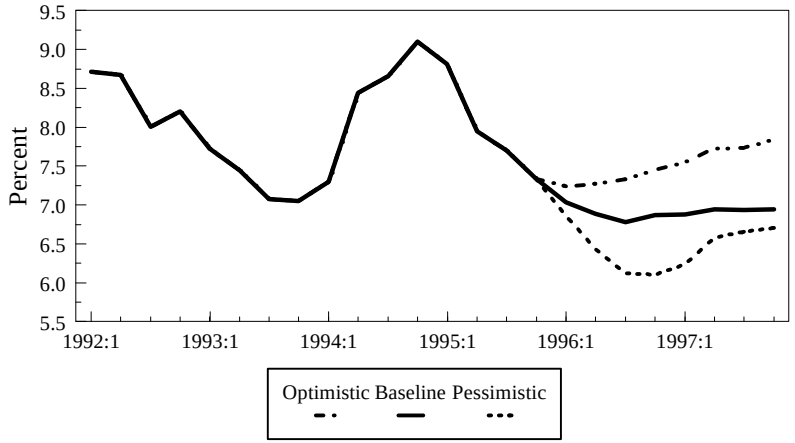
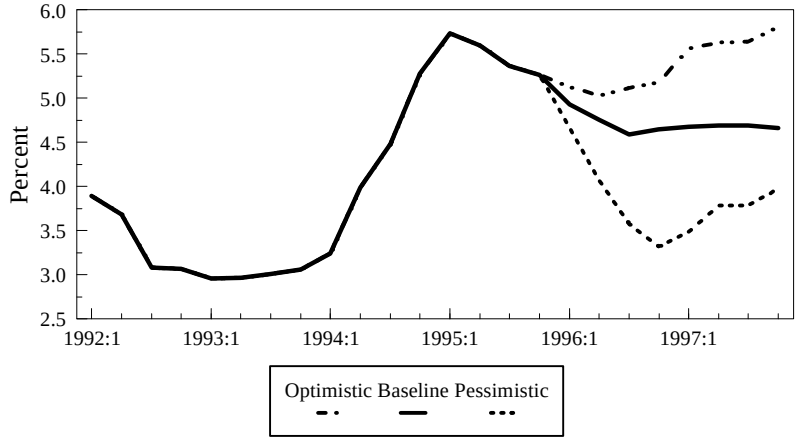


CHART 1.16

Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

CHART 1.17

Personal Income

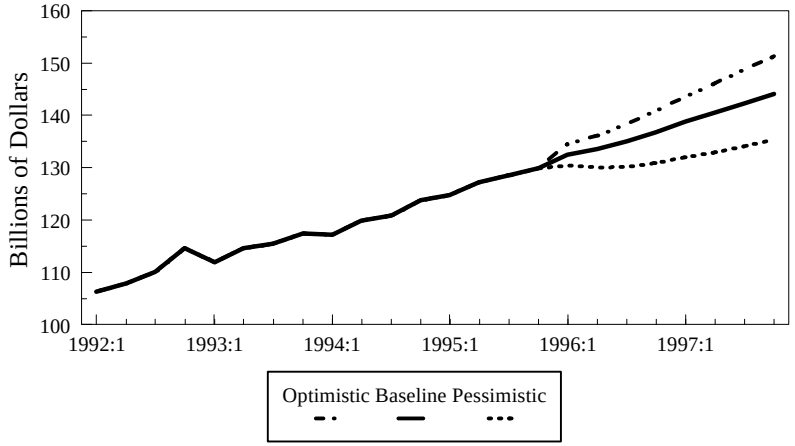


CHART 1.18

Real Personal Income

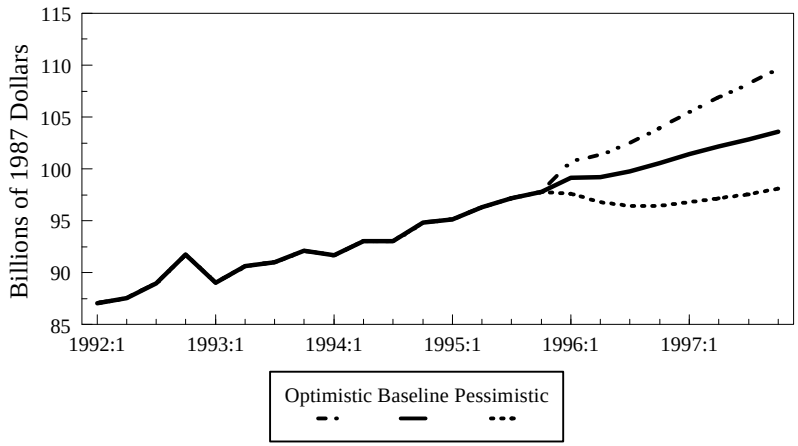


CHART 1.19

Nonagricultural Employment

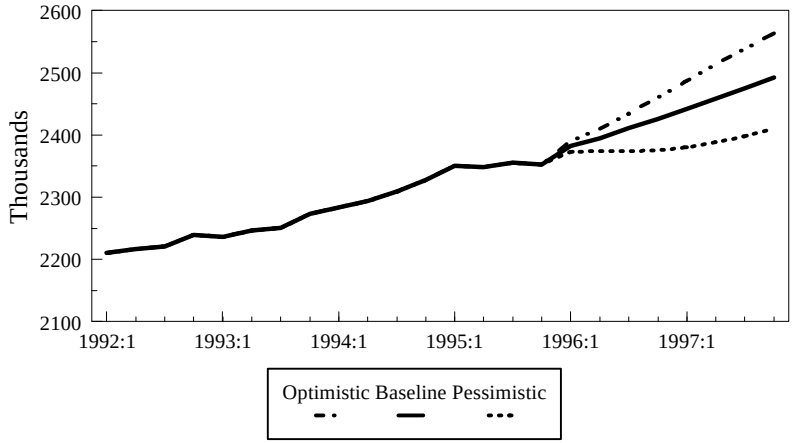
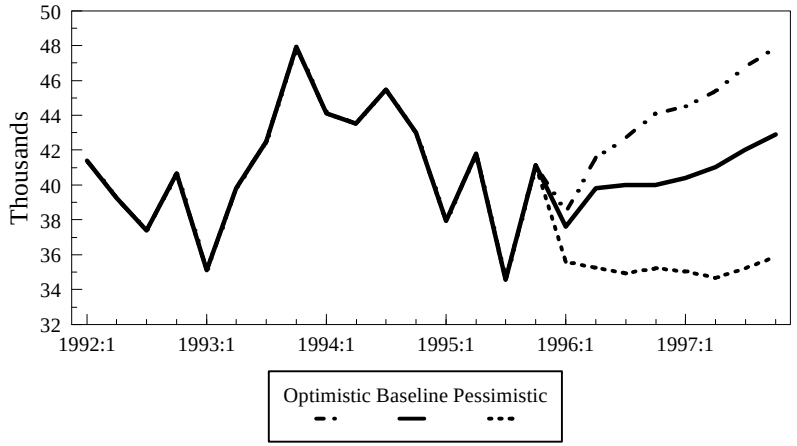


CHART 1.20

Housing Permits



Chapter 2

Washington Business Indicators

State Economic Activity

Washington's economy slowed down in the second half of 1995. Employment grew at a 1.1 percent rate in the third quarter and declined 1.1 percent in the fourth quarter because of the Boeing strike (Chart 2.1). For the year, employment grew 1.3 percent, down from 1994's 2.3 percent. The state's seasonally adjusted unemployment rate for the year ended at 5.8 percent (Chart 2.3). Because of sampling problems, however, this number understated the actual rate by up to half a percent, and is likely to be revised up. January's 5.7 percent rate is also likely to be revised up.

The state index of leading indicators fell 0.3 percent in January to 100.2 (Chart 2.5). Five of the seven components declined. The Atlanta Federal Reserve exchange rate index, a weighted average index of 18 currencies, rose 1.1 percent, making it slightly more difficult for Washington exporters to sell abroad; initial claims for unemployment insurance rose to a seasonally adjusted 55 thousand (Chart 2.6), which, excluding November, was the highest it has been since July 1992; the U.S. index of leading indicators fell .5 percent; housing starts declined to an annualized rate of 40 thousand (Chart 2.8), a solid number, but nonetheless down from December's 48 thousand; and the Seattle Times help-wanted index fell slightly from 118 to 116.5 (Chart 2.7). Two components of the index improved. Average weekly hours rose from 39.3 to 40.0, and aerospace employment rose from 79.2 to 80.3 thousand (Chart 2.2).

Purchasing managers in Washington continue to experience good times, according to the purchasing management index (Chart 2.12). When the index stands at 50, half of purchasing managers are experiencing better times and half worse times. February's index rose from 54 in January to 57. For some reason, Washington purchasing managers are experiencing better times than those in the rest of the U.S. The Washington index has remained over 50 since September 1993, despite a weakened economy in 1995. The U.S. index has been under 50 since May 1995.

California's recovering economy is having an impact on state in-migration. In the past five years, about 27 percent of new Washingtonians have come from California. This number is falling, according to the number of out-of-state drivers registering in the state (Chart 2.10), and is currently 24 percent and falling. The out-of-state drivers database indicates that in-migration from other states is also slowing.

U.S. Economic Activity

The U.S. economy slowed down in the fourth quarter of 1995, with fourth quarter GDP growing 0.9 percent (Chart 2.13). Cold weather and a second government shutdown kept the national economy weak in January. The direction and strength of the economy in early March was hard to pinpoint because of conflicting data. Most statistics indicate that the economy remains weak. The index of leading indicators fell 0.5 percent and dropped to its lowest level since 1993 (Chart 2.15). The index of industrial production was similarly weak and at its lowest level since 1991. The national purchasing manager's index was slightly below 45.

Four releases in early March, however, told a different story. First, Michigan's index of consumer expectations, which fell abruptly from 99 to 88 in December, recovered in February, rising to 97. Second, the U.S. economy added 700,000 jobs in February, the largest monthly increase since November 1983. As a result, the unemployment rate fell to 5.5 percent, a rate consistent with full employment. Third, new home sales rose 4.2 percent

in January, indicates the housing market is stronger than previously believed. Fourth, the stock market continued to hit record levels, although the Dow Jones index suffered a 172 point drop three days before this report went to press.

In testimony before Congress in mid February, Alan Greenspan stated that the economy would be weak during the first half of 1996 and would pick up as the year went by. There is a good chance that the pick-up may have already begun.

Key Economic Indicators

CHART 2.1

Annual Employment Growth in Washington and in the US.

January 1980 to January 1995

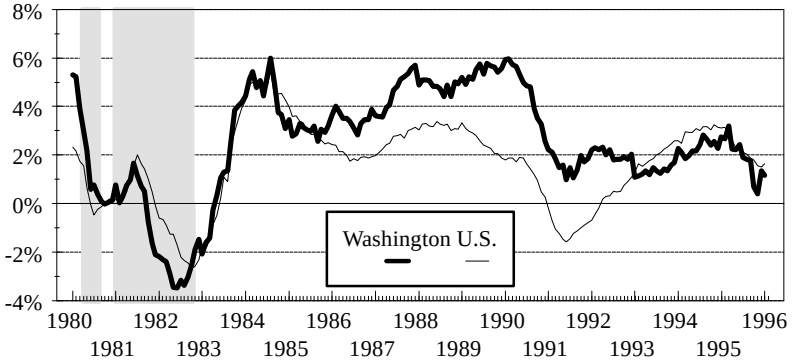


CHART 2.2

Aerospace Employment

January 1959 to January 1995

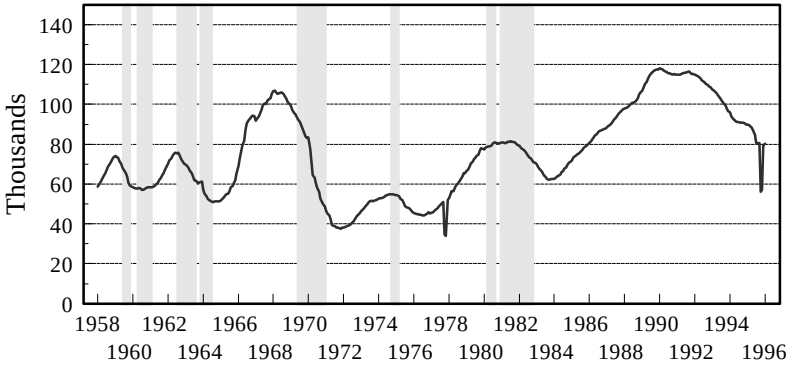


CHART 2.3

Unemployment Rate

Seasonally Adjusted, January 1980 to February 1995

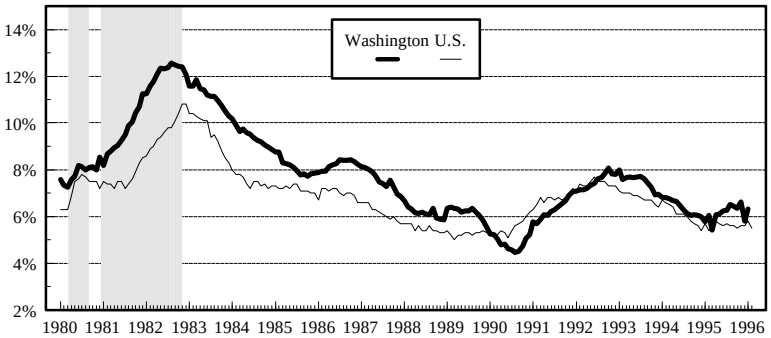
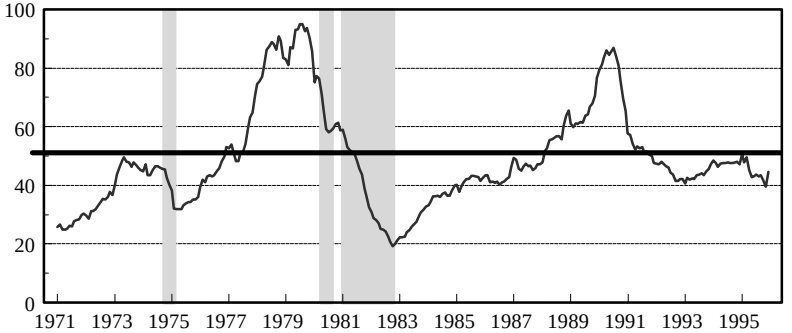


CHART 2.4

The Washington Boom Monitor

January 1971 to December 1995



Shaded areas correspond to Washington State employment downturns.

Washington State Leading Indicators

CHART 2.5

The Washington and U.S. Indexes of Leading Indicators

January 1969 to January 1995

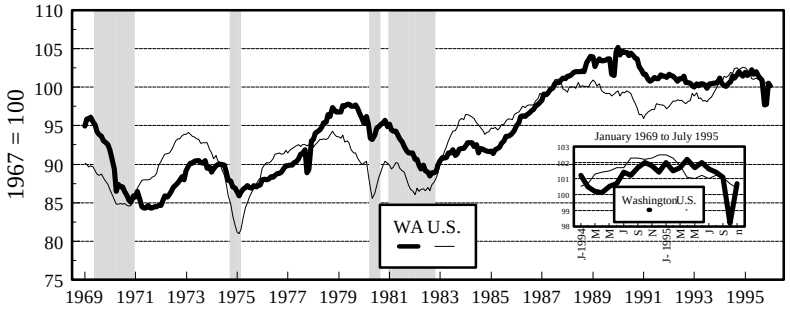


CHART 2.6

Initial Claims for State Unemployment Insurance

January 1969 to January 1995, (Seasonally Adjusted)

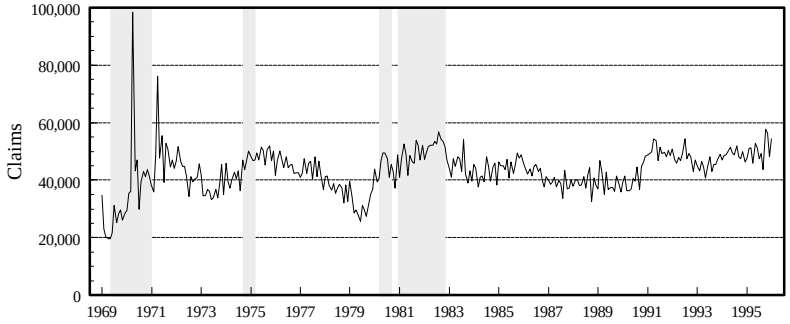
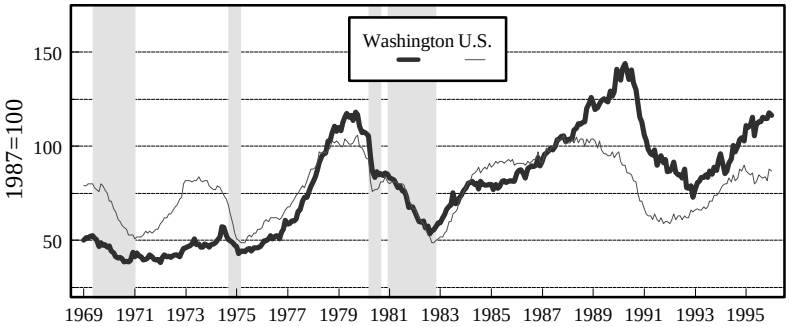


CHART 2.7

Seattle Times and U.S. Help-Wanted Indexes

January 1969 to January 1995

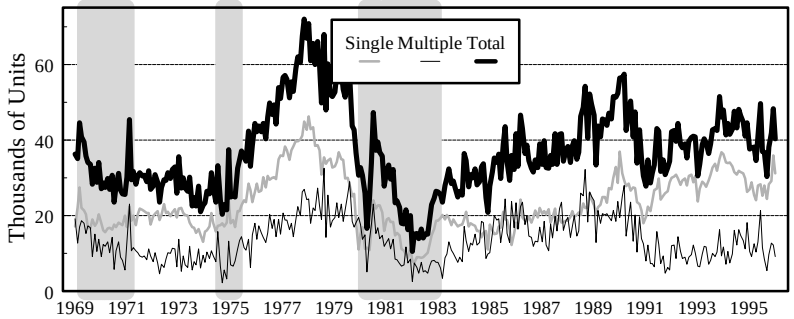


Shaded areas correspond to Washington State employment downturns.

CHART 2.8

Housing Units Authorized in Washington State

January 1969 to January 1996, (Smoothed, at Annual Rates)



Other State Economic Indicators

CHART 2.9

New Business Registrations with the Dept. of Revenue

January 1990 to December 1995

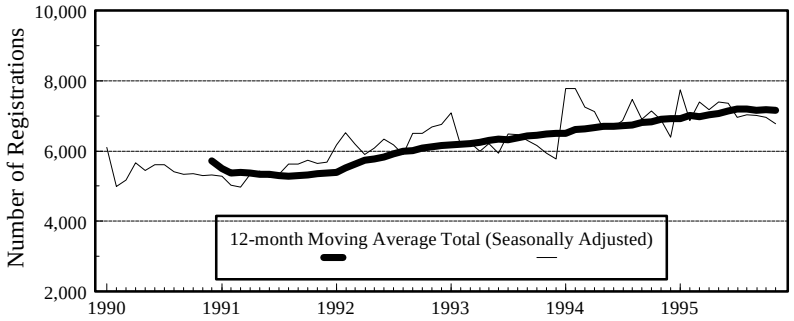


CHART 2.10

Out-of-State Drivers Moving into Washington

July 1983 to January 1995, 12-Month Moving Average

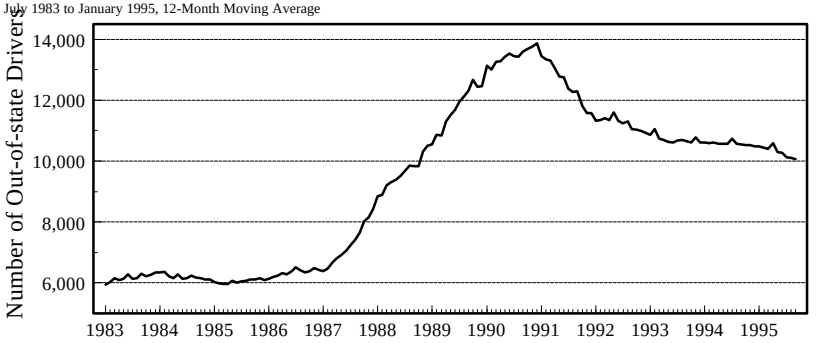


CHART 2.11

New Car and Truck Sales in Washington

Dec 1970. to Dec. 1995 (6-Month Moving Average, Seasonally Adjusted)

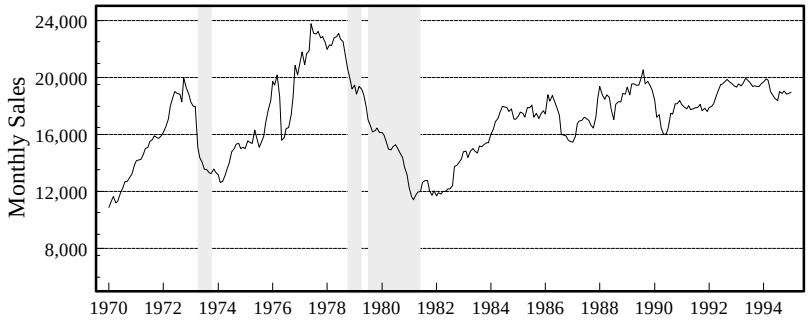
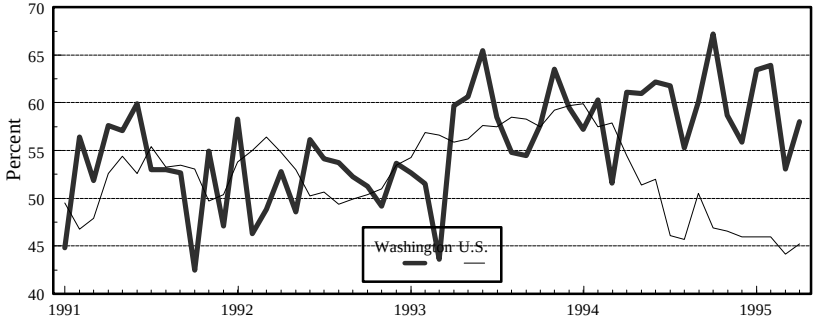


CHART 2.12

Purchasing Management Composite Index

November 1991 to February 1995



Shaded areas correspond to Washington State Employment downturns.

Other Economic Indicators

CHART 2.13
Quarterly U.S. GDP Growth (Chain-weighted)
1979-I to 1995-IV

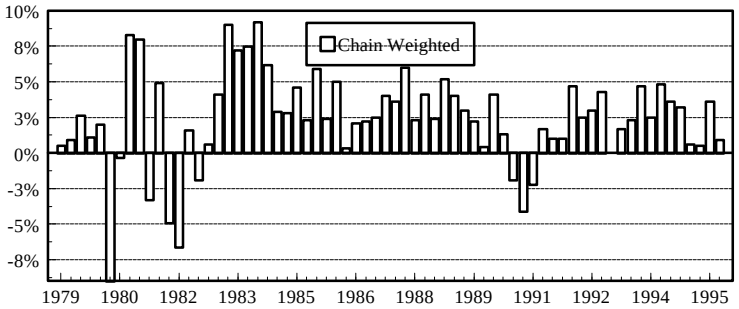


CHART 2.14
Inflation (CPI)
January 1973 - January 1995

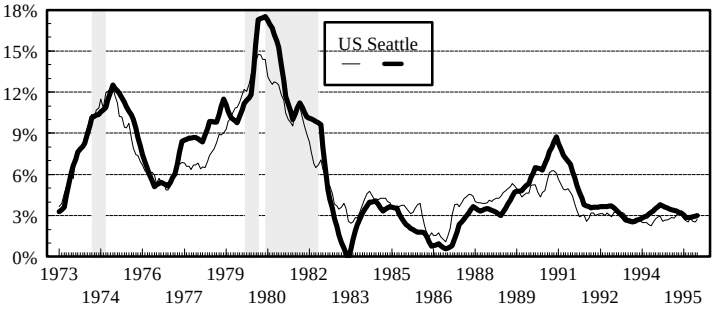
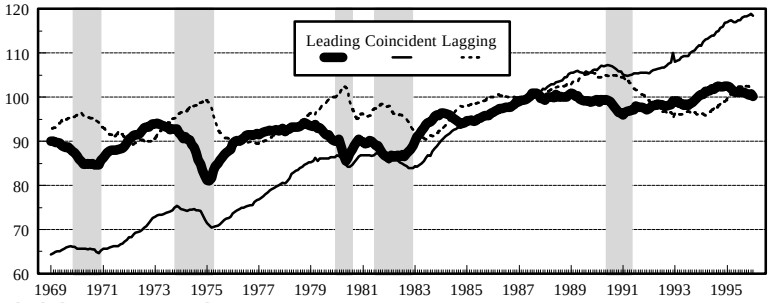


CHART 2.15
U.S. Economic Indicators
January 1969 to January 1995, 1987=100



Shaded areas correspond to U.S. recessions.

CHART 2.16
Employment Growth in Metropolitan Areas of Washington
Year-Over-Year Percentage Growth for December 1995

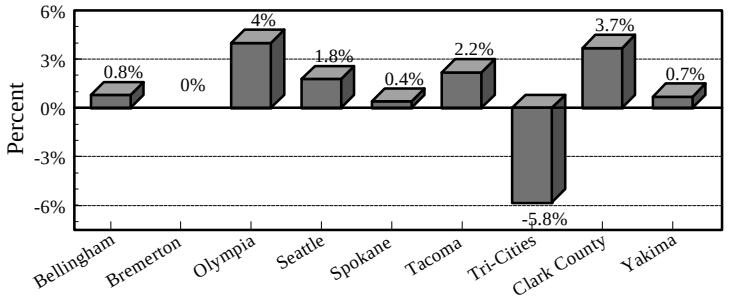


TABLE 2.1

Washinington Business Indicators

Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
1994:1	101.2	100.6	96.1	77	43.6	56.6
1994:2	100.5	100.6	91.7	79	59.7	55.9
1994:3	100.2	101.4	85.6	80	60.6	56.2
1994:4	100.1	101.3	87.0	80	65.5	57.6
1994:5	100.5	101.5	91.1	83	58.5	57.5
1994:6	100.7	101.9	93.4	81	54.8	58.5
1994:7	101.5	101.8	100.5	85	54.5	58.3
1994:8	101.5	102.4	97.0	82	57.7	57.5
1994:9	101.7	102.5	100.3	83	63.5	59.2
1994:10	102.0	102.3	103.4	88	59.5	59.7
1994:11	101.7	102.4	104.5	87	57.2	59.9
1994:12	101.5	102.6	102.7	90	60.3	57.5
1995:1	101.8	102.6	110.9	87	51.6	57.9
1995:2	101.5	102.4	110.0	86	61.1	54.5
1995:3	101.9	101.9	111.3	85	61.0	51.4
1995:4	102.3	101.3	115.3	86	62.2	52.0
1995:5	101.7	101.1	105.7	80	61.8	46.1
1995:6	102.0	101.3	111.7	81	55.3	45.7
1995:7	101.5	101.1	112.9	85	60.1	50.5
1995:8	101.3	101.2	112.9	84	67.2	46.9
1995:9	101.0	101.1	115.2	83	58.7	48.9
1995:10	97.8	100.7	114.9	84	55.9	46.8
1995:11	97.8	100.5	114.7	82	63.4	46.0
1995:12	97.9	100.7	118.0	88	63.9	46.0
1996:1	100.5	100.2	116.5	58	53.1	44.2
1992:2	100.2			87	58.0	45.2

Chapter 3

Washington State Revenue Forecast Summary

The Economic and Revenue Forecast Council approved a $109.3 million reduction to the General Fund-State forecast for the 1995-97 biennium on February 20, 1996. The reduction was due to a combination of weaker than expected collections and a lower economic forecast. Nationally, fourth quarter was weak and the economic forecast expects slower growth for the remainder of the biennium. The outlook for state job growth was reduced in February based on the weaker U.S. outlook as well as a weaker than expected fourth quarter. The state's overall employment reduction was mitigated by a more positive aerospace employment outlook than was assumed in November. In addition to the $109.3 million change due to economic factors, the February General Fund forecast incorporated a 1996 tax law change, SB 6117, which reduced the business and occupation (B&O) tax rates on service activities. This lowered the forecast for the 1995-97 biennium by $132.4 million. The combination of a lower economic outlook and legislation reduces the General Fund-State forecast for the 1995-97 biennium by $241.7 million.

1995 ended meekly with fourth quarter real gross domestic product (GDP) up only 1.2 percent (fixed weight basis) after rising 4.2 percent in the third quarter. Nationally, Christmas spending was disappointing, purchasing managers indicated continued weakness in the manufacturing sector and poor weather along with the partial shutdown of the federal government contributed to a weaker than expected fourth quarter. In Washington, the Boeing strike reinforced the weakness nationally resulting in slower than expected consumer and business spending. General Fund tax collections during the last three months were $45 million below the November forecast. This shortfall is consistent with weaker than expected fourth quarter employment and income growth.

The shortfall in revenue over the past three months, less growth nationally and a weaker state employment outlook, accounted for the change to the 1995-97 General Fund forecast in February. The reduction to the forecast was modest, less than 0.6, percent and nearly half of the revision is due to actual collection experience. Despite a weak fourth quarter and expectations of a softer national economy, the current economic expansion is expected to continue. Washington's economy and revenue is expected to grow modestly

TABLE 3.1 CASH BASIS

Revision to the General Fund-State Forecast
February 1996
(Millions of Dollars)

	Fiscal 1996	Fiscal 1997	1995-1997 Biennium
February 1996 Revenue Forecast Revision			
Legislation	($34.4)	($98.0)	($132.4)
Forecast Change [1]	(52.1)	(57.2)	(109.3)
Total Change	($86.5)	($155.2)	($241.7)

[1] February 1996 Forecast change, excluding legislation (cash basis).

along with the national economy during the remainder of the biennium.

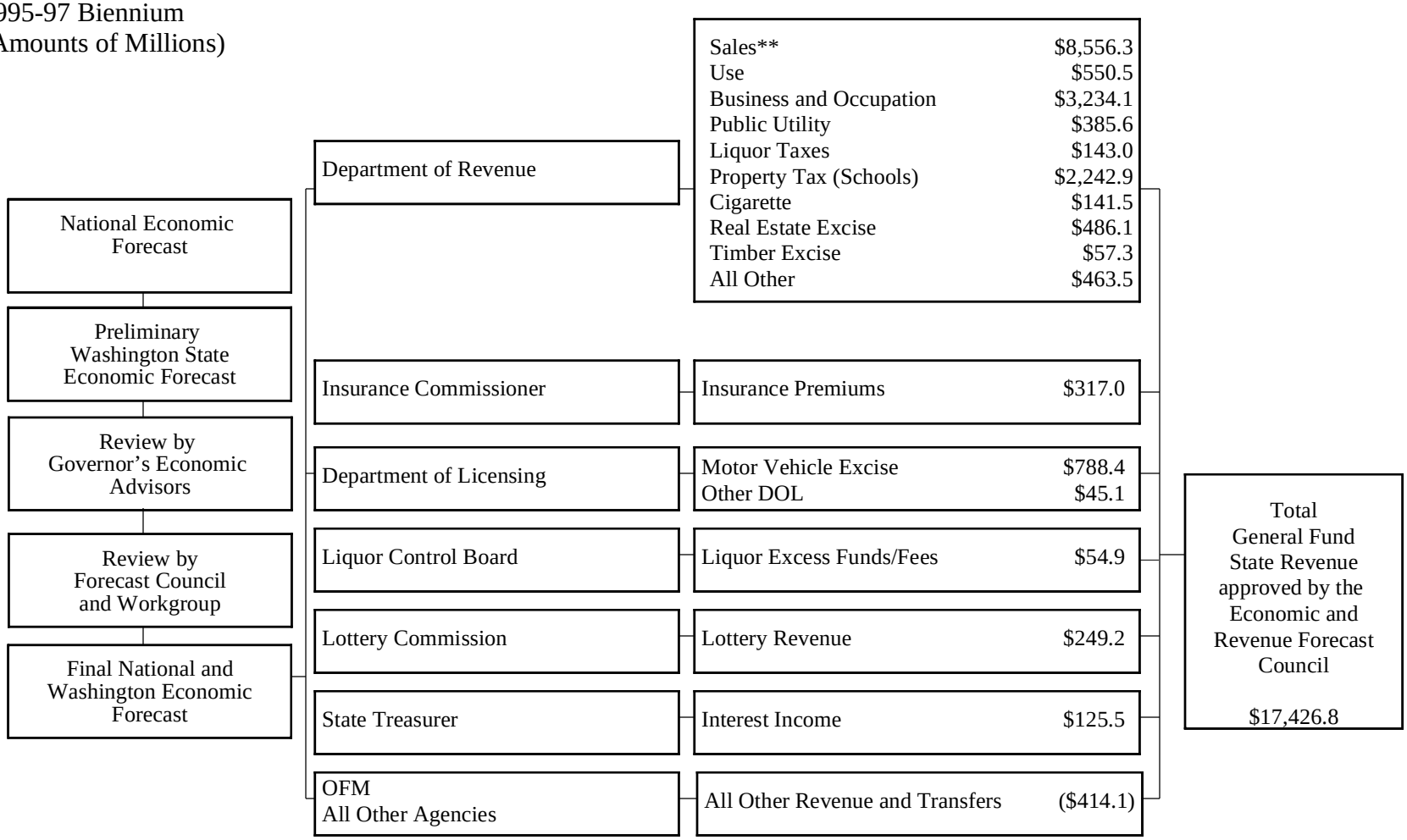
The combination of economic and legislative changes to the revenue forecast in February reduces the estimated ending balance for the 1995-97 biennium to $489.4 million on a cash basis. On a GAAP (Generally Accepted Accounting Principles) basis the projected ending balance for the 1995-97 biennium is now $418.6 million. This is based on the February forecast update and the pre-session appropriation level of $17.6 billion. The legislature is currently in session. Legislative action during the session, including adoption of a supplemental budget and/or other tax law changes, may alter these projected ending balance estimates. The February forecast for the 1995-97 biennium of $17,426.8 million remains below the current estimate of the Initiative 601 spending limit of $17,899 million.

The Council also adopted a forecast for the 1997-99 biennium in February. The initial General Fund-State forecast for the two year period beginning July 1997 totals $19,198.8 million. This is 10.2 percent above the forecast for the current biennium. It is $178 million below the current estimate of the 601 spending limit of $19,019 million for the 1997-99 biennium.

Background and Assumptions

The Washington State General Fund-State forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both executive and legislative branches of state government. The Council consists of six members, two appointed by the Governor and two appointed by the Legislature from each caucus of the Senate and House of Representatives. Current members of the Economic and Revenue Forecast Council are listed inside the front cover of this publication. The General Fund-State revenue forecast is updated four times per year: March (February in even-numbered years), June, September, and November. Each state agency engaged in revenue collection is responsible for forecasting revenues it collects or administers. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state economic forecast and the revenue forecast of the Department of Revenue's General Fund-State sources. The staff is also responsible for review and coordination of the revenue forecasts of agencies that collect relatively large amounts of General Fund-State revenue. These are the Department of Licensing, the Lottery Commission, the Insurance Commissioner's Office, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies which collect relatively smaller amounts of General Fund-State revenue as well as overseeing the tuition forecasts which are prepared by the various colleges and universities. For each quarterly update, the staff of the Economic and Revenue Forecast Council, under direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Data Resources Incorporated (DRI). A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. DRI's national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of General Fund-State revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a General Fund-State revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all General Fund-State sources and presented to the Forecast

TABLE 3.2
Economic and Revenue Forecast Flow Chart*
General Fund-State
1995-97 Biennium
(Amounts of Millions)



* Cash Basis
** Rental car sales tax is included in the Department of Revenue "Other" category.

Council for approval. Once a forecast is approved by the Council it becomes the official forecast of General Fund-State revenue. An outline of the forecast process, including a summary of the baseline forecast for the 1995-97 biennium (cash basis) approved by the Forecast Council on February 20, 1996, is shown in Table 3.2.

February 1996 Forecast Assumptions

1. The February 1996 forecast is based on current law and administrative practices. The February General Fund-state forecast includes a $132.4 million reduction to the 1995-97 biennium due to a tax law change. This legislation (SB 6117) reduced the business and occupation tax rates on service activities. After passing the legislature in the early days of the 1996 session, this legislation was vetoed by the Governor. However, the veto was overridden by the legislature in late January and the tax cut became "current law" prior to the update of the forecast in February. Any other legislation affecting revenue for the 1995-97 biennium enacted in the 1996 legislative session will be incorporated into the forecast in June 1996.

2. The baseline revenue forecast for the 1995-97 biennium is based upon the economic forecast presented in Chapter 1 of this publication. The outlook for the state's economy and revenue is in part based on DRI's January 1996 interim forecast for the U.S.

3. The February forecast of interest earnings assumes that the June 30, 1995 ending balances for the General Fund and the Budget Stabilization Account are applied to the July 1, 1995 beginning General Fund balance.

4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these actions are in litigation and are either unresolved or are on appeal. Any impact on General Fund-State receipts or revenue will not be incorporated into the General Fund-State forecast until the issue has been finally resolved.

5. There are some non-economic assumptions affecting General Fund-State revenues embedded in the forecast for the 1995-97 biennium. Some of these are summarized below.

- Beginning July 1992, higher education tuition and fees are no longer part of the state General Fund. Instead, revenues from tuition and fees are placed in the operating fund of the individual colleges and universities. Because of this change, tuition and fees are included in only one year of the 1991-93 biennium General Fund-State revenue total and are excluded from the 1993-95, 1995-97, and 1997-99 biennial totals. The legislation enacting this change stipulates that the tuition and fee forecast is still to be reviewed by the Economic and Revenue Forecast Council. Pursuant to this, we have included the tuition forecast separately in Table 3.14.

- There have been several legislative and other non-economic changes which affected actual receipts for the 1991-93 and the 1993-95 biennia as well as the forecast for the 1995-97 biennium. Actual General Fund-State receipts for the 1991-93 biennium include $179 million due to legislation. The 1993-95 biennium total has been increased by a net $330 million as a result of action by the Legislature. The forecast for the 1995-97 biennium has been reduced $575 million due to legislation. This includes $132 million of reductions enacted during the 1996 session in January.

Recent Collection Experience

General Fund-State collections were $45.3 million below the forecast in the three months since the last forecast. The shortfall was somewhat worse than the net collection figure indicates. Revenue Act taxes, the state's major excise taxes (retail sales, business and occupation, use, public utility, and tobacco products taxes), were $54.3 million less than expected. This shortfall was partially offset by higher estate taxes, reflecting an unexpected payment by a large estate. The weaker than expected Revenue Act collections during the November 11 through February 10 collection period (October through December business activity) reflects a poor holiday shopping season, paralleling the experience nationally. A weaker than expected real estate market and a longer than assumed strike at Boeing also likely contributed to weaker than expected activity. Revenue Act collections in the fourth quarter were 1.7 percent below a year ago. This decline includes the impact of tax law changes, thus overstating the weakness of business activity. A variety of tax law changes: B&O surtax reductions, expansion of the sales tax deferral program, and enactment of a sales and use tax exemption for machinery and equipment purchased by manufacturers, have significantly reduced tax payments in fiscal 1996. However, even after adjusting for legislation and some unusually large year-ago transactions, receipts were still quite weak, only 2.3 percent above the year-ago level in the fourth quarter. This was about half the increase in the third quarter and much below a strong 6.2 percent increase in the second quarter. Preliminary data for the last three months showed strength in some retailing sectors, finance, insurance and real estate and in the motel and hotel sector. Manufacturing and construction were weak along with transportation, communications and utilities. Within retailing, early data indicated good growth for food stores as well as the building materials and hardware sector. Eating and drinking places, furniture and appliance dealers and miscellaneous retailers, however, were weak.

TABLE 3.3
Collection Variance
November 11 1995 - February 10, 1996
Based on November 1995 Forecast
(Millions of Dollars)

Agency	Collection Variance	Percent of Estimate
Department of Revenue		
Revenue Act*	($54.3)	(3.2%)
Non Revenue Act**	17.1	2.8
Subtotal	($37.2)	(1.6%)
Department of Licensing**	($0.5)	(0.5%)
Lottery**	(7.6)	(21.8%)
Total	($45.3)	(1.8%)

* Revenue Act taxes consist of retail sales, business and occupation, use, public utility, and tobacco products taxes as well as penalty and interest receipts. Variance based on collections November 11 - February 10, 1996.

** Variance based on collections from November 1995 through January 1996. Major Non Revenue Act taxes in this category include: state property tax levy, real estate excise tax and estate tax.

*** Variance for other agencies' General Fund revenue and transfers. Detail may not add to total due to rounding.

Other General Fund taxes collected by the Department of Revenue were $17.1 million, above the estimate for the three months since the November forecast. Estate tax, property tax and revenue from state forest funds and unclaimed property transfers to the General Fund were above expectations during the last three months. Most other major taxes in this category, including cigarette and real estate excise tax receipts, were below the forecast during the last three months. Higher than expected estate tax payments accounted for $13.7 million of the total $17.1 million non Revenue Act variance. Estate tax payments are volatile and the higher than expected collections primarily reflect settlement of one very large estate. State forest fund revenue, which is the state share of revenue from the sale of timber on some state lands, was also significantly above ($5.1 million) expectations. Very high harvest levels from forest

board lands pushed state forest fund receipts up more than 367 percent over the year-ago level in the fourth quarter of 1995, after increasing 184 percent in the third quarter.

The real estate market has remained sluggish resulting in a $4.6 million shortfall in real estate excise receipts. Taxable real estate excise activity in December (closings reported by counties and reflecting January General Fund collections) was 2.9 percent above the year-ago level, after declining 10.5 percent in November. As a whole, fourth quarter real estate activity was 0.7 percent below the year-ago level and activity was down 8 percent for all of 1995. The weakness in real estate activity continues to be surprising given the near record low mortgage rates. The mortgage rate in the fourth quarter averaged 7.3 percent, down from 7.95 percent in the second quarter and from 9.1 percent in the fourth quarter of 1994. The weak real estate market is indicative of weak overall demand and has likely contributed to weak sales, use and B&O collections.

Although statewide real estate activity has been weak, fourth quarter activity was strong in several areas, primarily in smaller eastern Washington counties. Eight counties posted double-digit growth in the fourth quarter including Wahkiakum, Adams, Asotin, Klickitat , Skamania, and Douglas counties in eastern Washington and Grays Harbor and Clark counties in western Washington. King county was up 4.2 percent. Snohomish county, on the other hand, declined 2.4 percent and Pierce was up only 0.9 percent. Activity in Spokane county declined 7.7 percent.

The General Fund-State taxes collected by the Department of Licensing, primarily motor vehicle excise tax revenue, were $0.5 million below the November forecast . During the last three months collections were 5.7 percent below the year-ago level. Lottery Commission's General Fund deposits were $7.6 million below the November forecast during the last three months. In this period, Lottery General Fund deposits were 10.8 percent below the year-ago level. Table 3.3 summarizes General Fund-State collection experience since the November forecast.

The Forecast for 1995-97 and 1997-99 Biennia

The February 1996 forecast is consistent with a moderate growth, low inflation path for the economy. The General Fund-State forecast for the 1995-97 biennium totals $17,426.8 million, $0.9 billion above the 1993-95 biennium. This is an increase of only 5.2 percent (0.9 percent adjusted for inflation). The weak growth is due largely to tax law changes which significantly lower 1995-97 revenue. Legislation in 1994, 1995 and in early 1996 has reduced expected revenue in the 1995-97 biennium by a total of $575 million. Tax law changes enacted during the 1994 legislative session reduced General Fund-State revenue by $192 million. Tax reductions enacted during the 1995 session reduced General Fund-State revenue by an additional $252 million, including $7.2 million during the October 1995 special legislative session. So far during the 1996 session, legislation has reduced the General Fund-State forecast by $132.4 million. Excluding the impact of legislation, General Fund-State revenue is expected to grow 8.9 percent (3.7 percent adjusted for inflation) in the 1995-97 biennium.

With the reduction to the forecast in February, revenue growth in the 1995-97 biennium is now expected to fall slightly below the pace experienced during the 1993-95 biennium. General Fund-State cash receipts for the 1993-95 biennium were surprisingly strong, given major job losses in aircraft manufacturing , the state's largest manufacturing industry. General Fund-State collections for the 1993-95 biennium increased $1.7 billion, 11.5 percent (6.3 percent adjusted for inflation) over the receipts collected during the 1991-93 biennium. There was a net addition of $330 million to the 1993-95 biennium due to legislation. Adjusting for new legislation, General Fund-State cash receipts increased 9.2 percent in the 1993-95 biennium (4.2 percent adjusted for in-

flation). Although jobs in aircraft manufacturing were down 16.6 percent in the 1993-95 biennium, overall job growth was up 3.9 percent. Job losses in aerospace were offset by the national recovery and growth in the state's other manufacturing industries as well as the software industry.

Nationally, economy is expected to continue to expand, despite weakness in the fourth quarter. The state's economy is also expected to remain healthy. With the end of the Boeing strike and Boeing's announced intention of increasing aircraft production by late 1996, Washington's aerospace employment is expected to begin growing in 1996 after five years of decline. Employment in aircraft and parts is expected to increase by 5,000 jobs by the end of the 1997. In addition, several large national and international manufacturers are coming to the state or significantly increasing existing capacity here, including Intel, SEH America Inc., BHP Steel, and Matsushita. On the other hand, the outlook for other important manufacturing industries including lumber and wood products remains weak in the 1995-97 biennium. Overall statewide manufacturing employment is still expected to decline in fiscal 1996, though less than assumed in the November forecast. Manufacturing job growth is expected to increase in fiscal 1997, the first significant increase in this sector since fiscal 1990. The healthy economy will produce moderate Revenue growth for the remainder of the biennium. Revenue growth has decelerated during the first six months of the biennium. This was especially noticeable during the latest quarter. Although weakness may persist for the next quarter or two, growth will begin to accelerate during the last half of calendar 1996 as the economy improves.

The February 1996 economic and revenue update provides the initial General Fund-State forecast for the 1997-99 biennium (July 1, 1997 - June 30, 1999). General Fund-state receipts are expected to total $19,198.8 million in the 1997-99 biennium. This is $1.8 billion, 10.2 percent higher than the forecast for the 1995-97 biennium. Like prior biennia, revenue growth for the 1997-99 biennium is distorted by tax law changes. The most significant change was the expiration of the business and occupation tax surtax. 1993 legislation enacted a 6.5 percent (reduced to 4.5 percent by 1994 legislation) B&O surtax on most B&O activity. The surtax is in effect for the entire 1995-97 biennium but will expire on July 1, 1997, the start of the 1997-99 biennium. Other legislation affecting the growth between biennia include: a one

TABLE 3.4
General Fund-State Collections *
Cash Basis
(Millions of Dollars)

Biennium	Current Dollars*	Percent Change	1987 Dollars	Percent Change
1961-63	$817.1		$2,898.8	
1963-65	866.2	6.0	2,972.8	2.6%
1965-67	1,128.6	30.3	3,694.3	24.3
1967-69	1,440.5	27.6	4,405.2	19.2
1969-71	1,732.7	20.3	4,856.9	10.3
1971-73	1,922.1	10.9	4,938.0	1.7
1973-75	2,372.4	23.4	5,270.5	6.7
1975-77	3,395.0	43.1	6,538.3	24.1
1977-79	4,490.0	32.3	7,541.5	15.3
1979-81	5,356.6	19.3	7,503.6	-0.5
1981-83	6,801.5	27.0	8,278.1	10.3
1983-85	8,202.3	20.6	9,153.1	10.6
1985-87	9,574.6	16.7	9,947.6	8.7
1987-89	10,934.1	14.2	10,473.3	5.3
1989-91	13,308.9	21.7	11,593.1	10.7
1991-93	14,862.2	11.7	12,043.9	3.9
1993-95	16,564.6	11.5	12,806.0	6.3
1995-97[F]	17,426.8	5.2	12,923.1	0.9
1997-99[F]	19,198.8	10.2	13,587.2	5.1

[F] - February 1996 Forecast; Beginning July 1992 tuition revenue is no longer part of the General Fund-State total.

* Total General Fund-State collections-cash receipts basis. Includes rate, base and administrative changes; Modified Cash Basis: 1985-87 & prior; pure cash basis: 1987-89 & after. Changes among biennia may not be comparable because the biennial revenue totals shown here include the impact of rate, base and administrative changes on total collections.

Source: Department of Revenue and the Office of Financial Management. Office of the Forecast Council's February 1996 forecast.

CHART 3.1

General Fund-State Revenue

Millions of Dollars

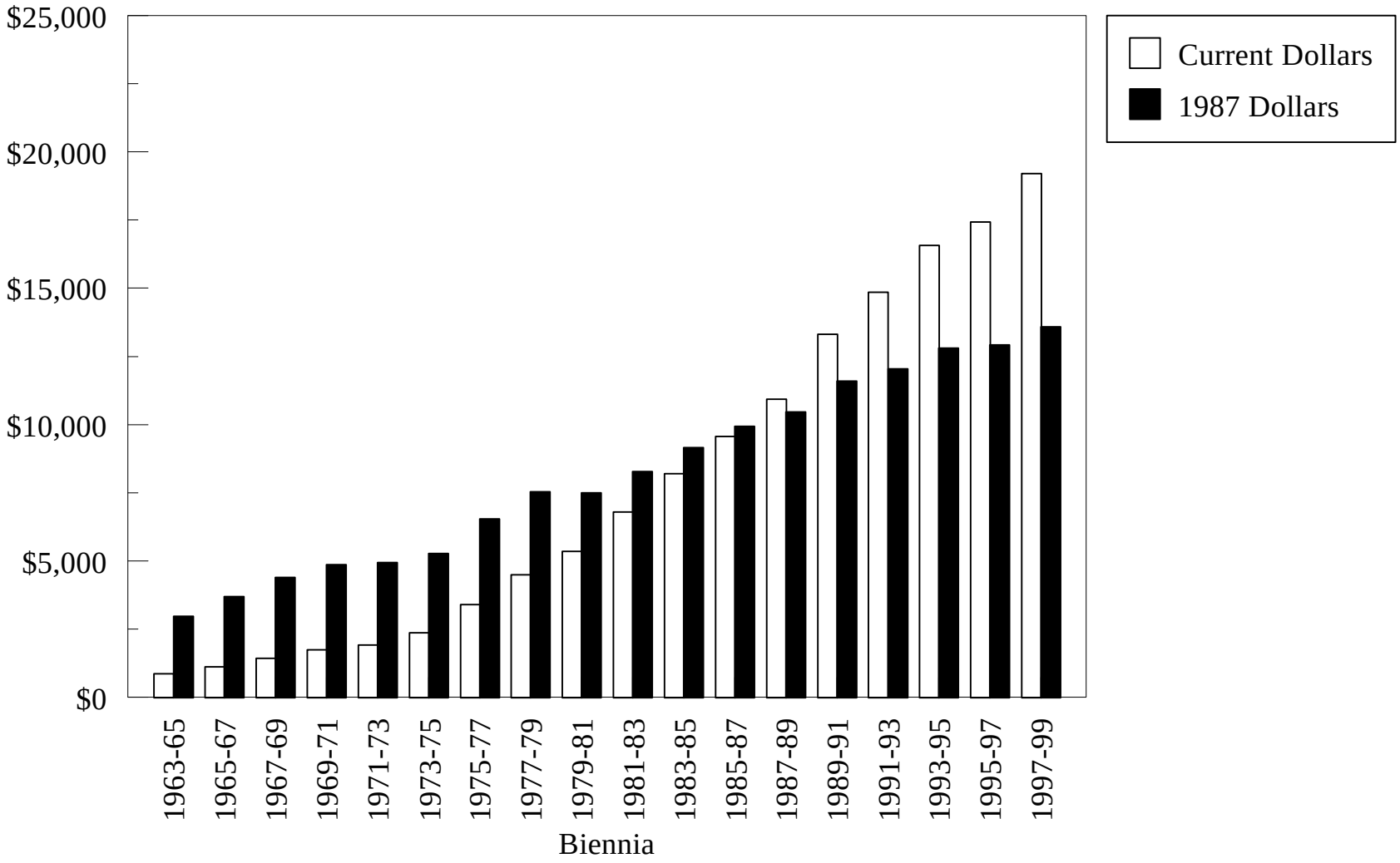


CHART 3.2

General Fund-State Revenue
Percent Change

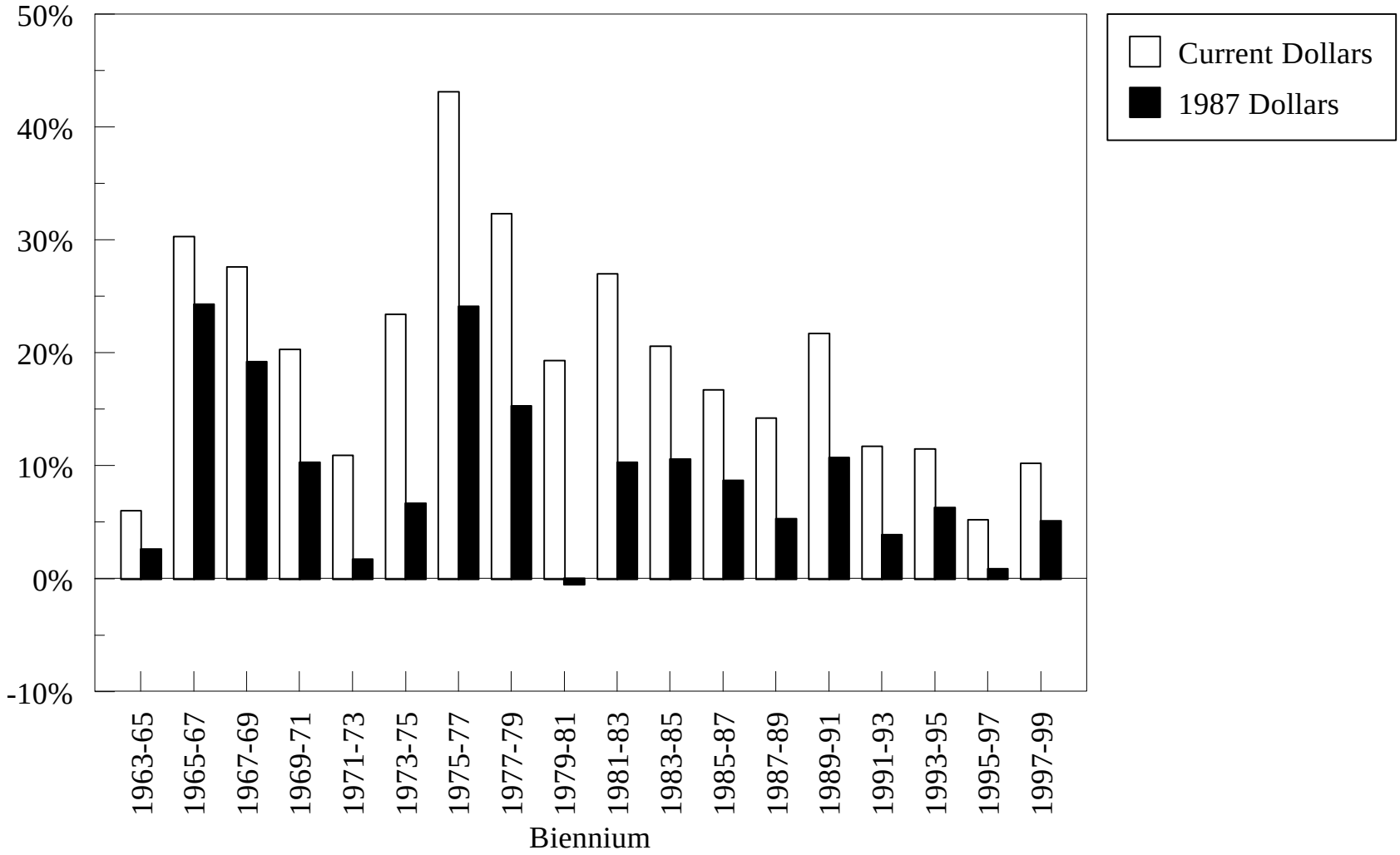


CHART 3.3

Composition of General Fund-State Revenue

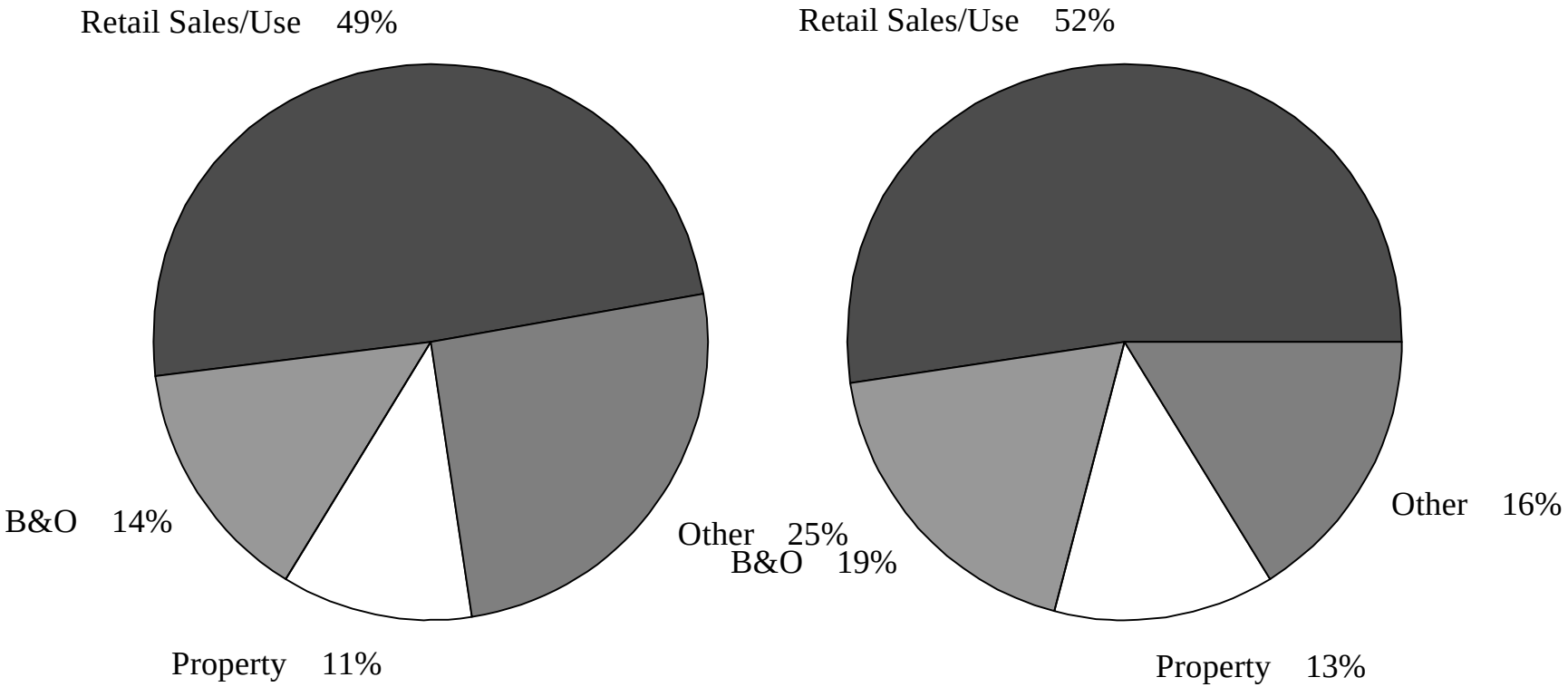
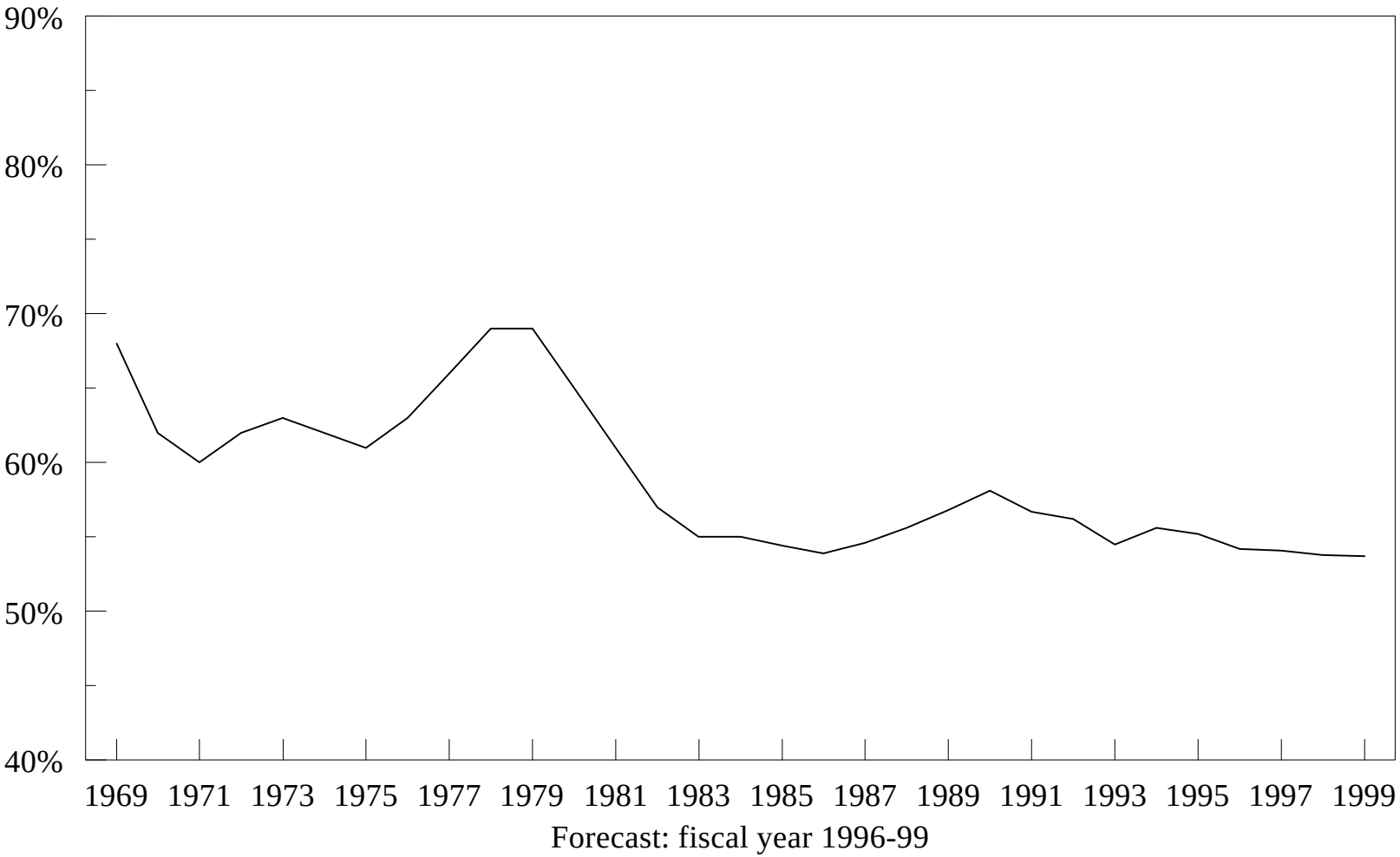


CHART 3.4

Taxable Sales* as a Percent of Personal Income

Fiscal Years



* Constant Base

time property tax reduction affecting only one year of the 1995-97 biennium, a 2 percent insurance premiums tax on health maintenance organizations and health care service contractors which is included in General Fund-State revenue for only part of the 1995-97 biennium and other one-time transfers affecting the 1995-97 biennium but not the 1997-99 biennium. The growth of total General Fund-State revenue for 1997-99 adjusting for these tax law changes increases the biennial growth rate to 10.9 percent. The outlook for modest revenue growth is dictated by the economic forecast. The current economic outlook assumes the national economic expansion will continue through the end of the 1997-99 biennium. Growth will be modest, with real GDP expected to average about 2.5 percent per year. The state's economy is expected to grow slightly faster than the U.S. as a whole. Legislation aside, most major revenue sources are expected to grow near their long run averages relative to growth in state income and employment.

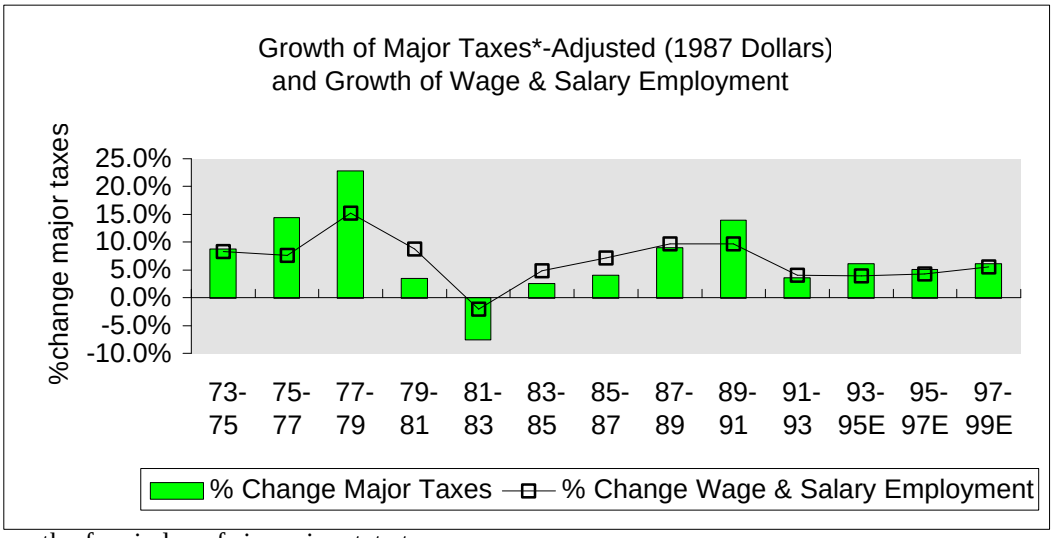
Washington has no personal or corporate income tax. Three taxes, sales and use, business and occupation and the property tax (state school levy), account for the majority of Washington's total General Fund-State revenue. These taxes are expected to account for 84 percent of the $17.4 billion total General Fund-State cash receipts in the 1995-97 biennium and nearly 85 percent of the 1997-99 biennium's $19.2 billion total. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 80 percent in the 1991-93 biennium and from 75 percent twenty years ago. The retail sales and use tax, the state's largest revenue source, is projected to generate $9.1 billion, 52 percent of total revenue in the 1995-97 biennium. The business and occupation tax and the property tax are expected to total $3.2 billion (18.6 percent of the total) and $2.2 billion (12.9 percent of the total) respectively. The property tax's (state school levy) share of the total rises to 13.9 percent in the 1997-99 biennium and the business and occupation share drops to 18.4 percent of the total reflecting the expiration of the 4.5 percent B&O surtax at the end of the 1995-97 biennium.

The February outlook for taxable sales growth is slightly weaker than what was assumed in November. Third quarter taxable sales were sluggish and preliminary indications are that fourth quarter activity was also weaker than assumed. Taxable sales increased only 2.5 percent in the third quarter of 1995, about half the increase experienced in fiscal 1995. Part of the apparent weakness is attributable to a tax law change. This change reduces the sales and use tax base by providing a sales tax exemption for the purchase of machinery and equipment by manufacturers. Taxable sales growth varied greatly by sector in the third quarter. The transportation, communication and utilities sector was up more than 17 percent from a year ago. Furniture and appliance stores were up 7.2 percent, led by an 18 percent increase in home electronics stores. Other retailers, while not quite as strong, still beat the third quarter, average. These include general merchandise stores, up 5.5 percent in the third quarter, and eating and drinking places, up 4.8 percent. However, auto dealers were up only 2.1 percent and apparel and accessory stores grew only 3.1 percent. The real weakness, however, was in several non retailing sectors. Taxable sales reported by manufacturers were down 4 percent , the construction sector declined 0.5 percent , wholesalers showed no gain in the third quarter and the service sector increase was only 1.1 percent. Third quarter year-over-year changes by sector are based on data adjusted for some significant changes in the Standard Industrial Classification (SIC) of firms that occurred between the third quarter of 1994 and 1995. Third quarter taxable sales growth was generally strongest in smaller, rural counties, with Lincoln, Wahkiakam and Pend Oreille counties all up more than 30 percent from a year ago. In the larger urban counties growth was mixed. Third quarter taxable activity in Clark and King counties was stronger than the statewide average, with Clark up 5 percent and King up 4.8 percent.

TABEL 3.5
Growth of Major Taxes (Adjusted)*
February 1996 Forecast

Biennium	Growth of Major State Taxes (adjusted) Current Dollars	1987 Dollars
1971-73	16.3%	6.6%
1973-75	25.8%	8.8%
1975-77	32.0%	14.4%
1977-79	40.8%	22.8%
1979-81	24.1%	3.5%
1981-83	6.4%	-7.6%
1983-85	11.8%	2.5%
1985-87	11.7%	4.0%
1987-89	18.3%	9.1%
1989-91	25.2%	13.9%
1991-93	11.4%	3.6%
1993-95	11.2%	6.1%
1995-97E	9.6%	5.1%
1995-99E	10.9%	6.1%

*Estimated growth of six major state taxes (sales, B&O, use, public utility, real estate excise and property) on a tax liability basis, adjusted to a constant rate and base.



*Growth of an index of six major state taxes.

TABLE 3.6
Taxable Retail Sales*
February 1996 Forecast
(Millions of Dollars)

Fiscal Year	Amount	Percent Change
1971	$8,748	1.6%
1972	9,545	9.1
1973	10,646	11.5
1974	11,877	11.6
1975	13,380	12.7
1976	15,493	15.8
1977	17,626	13.8
1978	21,121	19.8
1979	22,309	5.6
1980	24,057	7.8
1981	25,197	4.7
1982	26,097	3.6
1983	29,368	12.5
1984	29,156	-0.7
1985	30,687	5.3
1986	32,158	4.8
1987	34,647	7.7
1988	37,452	8.1
1989	41,429	10.6
1990	47,183	13.9
1991	49,812	5.6
1992	53,189	6.8
1993	55,319	4.0
1994	59,009	6.7
1995	61,927	4.9
1996 F	63,169	2.0
1997 F	66,105	4.7
1998 F	69,139	4.6
1999 F	72,962	5.5

F - Forecast

*- Actual base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise Tax return. Historical data may be slightly different than previously reported due to use of seasonally adjusted data in the past. Major base changes include: exemption of off-premises food in 1978:3 (fiscal 1979); extension of the sales tax base to off-premises food 1982:2 to 1983:2; food again exempt 1983:3 (fiscal 1984). Base extended to some personal services, effective July 1993. Some personal services are exempt effective July 1994. Exemption of manufacturing equipment effective fiscal 1996.

However, Snohomish, Pierce and Skokane counties posted declines from the year-ago level.

After growing 6.7 percent in fiscal 1994 and 4.9 percent in fiscal 1995, statewide taxable sales growth is expected to increase only 2.0 percent in fiscal 1996. The slower growth is due in part to economic factors and in part to tax law changes. Slow growth nationally, an essentially flat aerospace sector and sizable employment reductions at Hanford will all contribute to sluggish retail sales growth in fiscal 1996. Third quarter's 2.5 percent increase confirms a slowing of activity. Early indications are that fourth quarter activity, which includes the 1995 Christmas shopping season, was also weak supporting a weaker retail sales growth outlook. In addition to weak demand, 1995 legislation exempted the purchase of machinery and equipment by manufacturers from the sales and use tax. This exemption is expected to shave about a percent off the growth rate of taxable sales in fiscal 1996. The growth of the sales tax base is expected to rebound to 4.7 percent in fiscal 1997, slightly weaker than what was assumed in the November forecast. The forecast for taxable sales growth remains moderate for both fiscal 1998 and 1999, with taxable sales activity increasing 4.6 percent in fiscal 1998 and 5.5 percent in fiscal 1999. Growth is consistent with the long run relationship between the growth of taxable sales and state personal income.

Forecast Change for 1995-97 Biennium

The forecast for the 1995-97 biennium was reduced $109.3 million in February, a decrease of 0.6 percent. The change was due to a combination of actual collection experience and a modest reduction to the national and state economic forecasts. In addition, the incorporation of 1996 legislation reducing the business and occupation tax rate on services resulted in a $132.4 million reduction to the forecast for the 1995-97 biennium. The total reduction in February, including legislation, totaled $241.7 million. The outlook for both the national and state employment and income growth was lowered in February. The reduction was small and the prognosis is still bright for a continuation of the current economic expansion,

albeit at a slightly slower pace than assumed three months ago. Table 3.7 summarizes changes to the cash forecast in February by type of change. Tables 3.8 and 3.9 summarize revisions to the 1995-97 biennium by agency. Table 3.8 is on a cash basis and Table 3.9 is on a GAAP basis. Table 3.10 provides fiscal year estimates by major revenue source (cash basis). Below is a brief summary of the changes to the General Fund-State forecast by agency.

Department of Revenue

The Department of Revenue's cash forecast for the 1995-97 biennium was reduced $231.4 million in February. The majority of this change, $132.4 million, reflects the impact of 1996 legislation which reduces business and occupation tax rates on service activities effective January 1996. The remainder of the reduction, $99 million, is due to a combination of weaker collection experience and a slightly weaker economic outlook. In the three months since the November forecast, Department of Revenue General Fund sources were $37.2 million less than expected. This shortfall would have been larger were it not for a very large estate tax payment and higher than expected state forest fund revenue. Major excise taxes (sales, business and occupation, use and public utility taxes) were more than $54 million less than expected. Fourth quarter activity paralleled the national economy. Christmas sales were weak and consumer confidence was generally poor. The weakness in Washington was exacerbated by a prolonged strike at Boeing, the state's largest manufacturer. The outlook for the remainder of the biennium is slightly weaker than assumed in November. An improved outlook for aerospace is more than offset by a weaker outlook nationally. This translates into less state employment and income than assumed in November and a $61.8 million reduction for the remainder of the 1995-97 biennium.

The largest reductions in February were to the state retail sales and business and occupation taxes. The retail sales tax forecast for the 1995-97 biennium was reduced $82.7 million in February and the forecast for the business and occupation tax was lowered $172.1 million. $132.4 million of the business and occupation tax reduction reflects 1996 legislation reducing the tax rates on service activities. SB 6117 was passed by the legislature in early January, shortly after the start of the 1996 session. It was vetoed by the Governor, but the veto was overridden in late January. The rate change become effective January 1996. The tax rate on business services was reduced from 2.5 percent to 2.0 percent, the rate on financial services was reduced from 1.7 percent to 1.6 percent and the rate on all other service activities was reduced from 2.09 percent to 1.829 percent. The 1.829 percent includes a 4.5 percent surtax . The surtax expires June 30, 1997 at which time the rate on other services will drop to 1.5 percent. In addition to the reduction of the tax rate on service activities, SB 6117 extends and broadens the business and occupation tax credit for jobs created in distressed areas and creates a new business and occupation tax credit for employee training in distressed areas. Other major reductions to Department of Revenue sources for the 1995-97 biennium in February included: a $2.7 million reduction to the state public utility tax, a $5.6 million reduction to the cigarette tax and a $0.9 million reduction to the state real estate excise tax. There were some increases to the forecast in February. The state property tax (state school levy) forecast was raised $3.3 million. There was also a $16.7 million increase to the estate tax forecast and a $5.7 million increase to the state forest fund estimate.

Department of Licensing

The General Fund-State forecast for taxes collected by the Department of Licensing was reduced $7.2 million for the 1995-97 biennium. The majority of this change is due to a downward revision to the motor vehicle excise tax forecast. Data through December indicate that vehicle registrations are below expectations. Lower registrations

TABLE 3.7
Summary Changes to the General Fund-State Forecast
February 1996 Cash Forecast
(Millions of Dollars)

	Change Between Feb. 1996 and Nov. 1995 Forecasts	
1995-97 BIENNIUM		
Collection Experience		($45.3)
Department of Revenue	($37.2)	
Other Agencies	(8.1)	
Legislation		($132.4)
Forecast Change		($64.0)
Department of Revenue	($61.8)	
Other Agencies	($2.2)	
Total Change: 1995-97 Biennium		($241.7)

and a slightly lower state personal income forecast resulted in the reduction to the motor vehicle excise tax forecast. There were also small reductions to the forecasts for excise tax on travel trailers and campers and firearm licenses.

Office of Financial Management: Other Agencies

The 1995-97 General Fund forecast for "other agencies" prepared by the Office of Financial Management was increased $3.3 million in February. There was a $6.4 million increase to the forecast for county sales and use equalization revenue and a $1.2 million increase in expected General Fund -State revenue from the Department of Social and Health Services. These increases were partially offset by larger than expected transfers to the Water Quality Account ($1.3 million) and for mass transit distribution ($3.9 million).

State Treasurer

The interest earnings forecast was reduced by $6.3 million for the 1995-97 biennium. The lower forecast is due to changes in the interest rate and average daily balance assumptions. The average daily balance assumption for the General Fund was increased $10 million for fiscal 1996 but reduced by $110 million for fiscal 1997. The interest rate assumption averaged about 0.3 percent per year lower in February than in November, reducing expected investment earnings. Note, the forecast for interest earnings for the 1995-97 biennium assumes that the June 30, 1995 ending balance for the General Fund and Budget Stabilization Accounts are applied to the July 1, 1995 General Fund beginning balance.

Track Record for the 1995-97 Biennium

The February 1996 forecast of General Fund-State cash receipts for the 1995-97 biennium is $17,426.8 million. This is $109.3 million less than the November 1995 forecast and $171 million, 1.0 percent, higher than the initial forecast for the 1995-97 biennium (excluding legislation) made in February 1994. There have been eight quarterly updates to the forecast for the 1995-97 biennium. There have been five reductions (including the current forecast) and three increases. Table 3.11 summarizes the changes to the 1995-97 General Fund-State forecast.

The Relationship Between the Cash and GAAP General Fund-State Revenue Forecasts

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). This legislation requires that the Forecast Council adopt a cash forecast as well as a forecast of revenue on a GAAP basis. The forecast on a GAAP basis helps provide an estimate of the state's equity position. Revenues are credited to the biennium in which they are earned even though they may not yet have been collected. On the other hand, the cash forecast is used for cash flow management, helps assess the state's current surplus or deficit position, and is the basis for triggering the allotment reduction

TABLE 3.8 CASH BASIS

General Fund-State Forecast by Agency: Cash Basis

Comparison of the February 1996 Forecast to the November 1995 Forecast
1995-1997 Biennium
(Millions of Dollars)

Forecast by Agency	November 1995 Forecast [1]	Non-Economic Changes [2]	Forecast Revision	Feb. 1996 Forecast	Total Change
Department of Revenue					
Retail Sales**	$8,656.7		($82.7)	$8,574.0	($82.7)
Business & Occupation	3,406.1	(132.4)	(39.7)	3,234.1	(172.1)
Use	553.1		(2.7)	550.4	(2.7)
Public Utility	386.2		(0.6)	385.6	(0.6)
Liquor Sales/Liter	142.8		0.3	143.0	0.3
Cigarette	147.2		(5.6)	141.5	(5.6)
Property (State Levy)	2,239.6		3.3	2,242.9	3.3
Real Estate Excise	487.0		(0.9)	486.1	(0.9)
Timber Excise	56.7		0.6	57.3	0.6
Other	416.7		29.1	445.7	29.1
Subtotal	$16,492.1	($132.4)	($99.0)	16,260.7	($231.4)
Department of Licensing					
Motor Vehicle Excise	794.4		(5.9)	788.4	(5.9)
Other	46.4		(1.3)	45.1	(1.3)
Insurance Commissioner					
Insurance Premiums	317.0		0.0	317.0	0.0
Liquor Control Board					
Liquor Profits and Fees	52.1		0.0	52.1	0.0
Beer & Wine Surtax	2.8		0.0	2.8	0.0
Lottery Commission					
Lottery Revenue	249.2		0.0	249.2	0.0
State Treasurer					
Interest Earnings	131.8		(6.3)	125.5	(6.3)
Office of Financial Management					
Other	(417.3)		3.3	(414.1)	3.3
Total General Fund-State ***	$17,668.5	($132.4)	($109.3)	$17,426.8	($241.7)

1 Adopted by the Forecast Council November 1995.
2 1996 legislation. Reduction of the B&O tax rate on services.
** Includes the General Fund-State portion of the Rental Car tax.
*** Detail may not add to totals because of rounding.

TABLE 3.9 GAAP BASIS

General Fund-State Forecast by Agency: GAAP Basis

Comparison of the February 1996 Forecast to the November 1995 Forecast
1995-1997 Biennium
(Millions of Dollars)

Forecast by Agency	November 1995 Forecast [1]	Non-Economic Changes[2]	Forecast Revision	Feb. 1996 Forecast	Total Change
Department of Revenue					
Retail Sales**	$8,696.8		($91.2)	$8,605.6	($91.2)
Business & Occupation	3,418.5	(144.3)	(38.0)	3,236.3	(182.2)
Use	553.6		(5.0)	548.6	(5.0)
Public Utility	386.3		(0.3)	386.0	(0.3)
Liquor Sales/Liter	138.2		4.8	142.9	4.8
Cigarette	147.9		(5.6)	142.3	(5.6)
Property (State Levy)	2,236.2		3.3	2,239.5	3.3
Real Estate Excise	489.4		(0.9)	488.5	(0.9)
Timber Excise	56.7		0.6	57.3	0.6
Other	417.5		29.1	446.6	29.1
Subtotal	16,541.2	(144.3)	(103.3)	16,293.7	(247.5)
Department of Licensing					
Motor Vehicle Excise	794.5		(6.0)	788.5	(6.0)
Other	46.5		(1.2)	45.2	(1.2)
Insurance Commissioner					
Insurance Premiums	317.0		0.0	317.0	0.0
Liquor Control Board					
Liquor Profits and Fees	52.1		0.0	52.1	0.0
Beer & Wine Surtax	2.8		0.0	2.8	0.0
Lottery Commission					
Lottery Revenue	249.2		0.0	249.2	0.0
State Treasurer					
Interest Earnings	130.8		(7.2)	123.6	(7.2)
Office of Financial Management					
Other	(417.0)		3.3	(413.8)	3.3
Total General Fund-State * **	**$17,717.1**	**($144.3)**	**($114.4)**	**$17,458.4**	**($258.7)**

1 Adopted by the Forecast Council November 1995.
2 1996 Legislation. Reduction of the B&O tax rates on services effective January 1996.
** Includes the General Fund-State portion of the Rental Car tax.
*** Detail may not add to totals because of rounding.

TABLE 3.10 CASH BASIS

General Fund-State Forecast: Cash Basis
February 1996 Forecast: 1995-97 and 1997-99 Biennia
(Millions of Dollars)

Forecast by Source	Fiscal 1995 [A]	Fiscal 1996	Fiscal 1997	1995-97 Biennium	Fiscal 1998	Fiscal 1999	1997-99 Biennium
State Taxes							
Retail Sales**	$4,126.7	$4,184.5	$4,389.5	$8,574.0	$4,575.1	$4,813.4	$9,388.5
Business and Occupation	1,573.6	1,582.1	1,651.9	3,234.1	1,706.2	1,838.9	3,545.1
Use	292.5	270.6	279.8	550.4	309.0	328.4	637.4
Public Utility	182.3	186.5	199.1	385.6	213.6	225.8	439.4
Liquor Sales/Liter	73.2	71.8	71.3	143.0	70.2	69.8	140.0
Beer and Wine Surtax	1.4	1.4	1.4	2.8	1.5	1.4	2.9
Cigarette	81.5	69.9	71.6	141.5	72.0	72.6	144.6
Tobacco Products	11.8	12.0	12.5	24.5	13.0	13.5	26.5
Property (State School Levy)	1,018.1	1,076.8	1,166.0	2,242.9	1,286.0	1,389.1	2,675.1
Public Utility District	26.1	27.1	28.5	55.6	30.1	31.8	61.9
Real Estate Excise	235.5	235.8	250.3	486.1	264.8	277.0	541.8
Timber Excise	25.6	29.1	28.2	57.3	28.0	31.3	59.4
Estate/Inheritance	42.2	59.5	49.7	109.3	52.8	55.2	108.0
Motor Vehicle Excise	414.3	387.3	401.1	788.4	425.8	451.1	876.8
Boat Excise	8.6	8.7	9.0	17.7	9.2	9.5	18.8
Insurance Premiums	203.3	174.0	143.0	317.0	150.0	157.4	307.4
Other	85.5	99.0	92.1	191.1	100.6	106.2	206.8
Total Taxes	8,401.9	8,476.2	8,845.2	17,321.4	9,307.9	9,872.5	19,180.4
State Non-Tax Sources							
Licenses, Permits, Fees	61.8	53.5	55.9	109.4	56.8	60.2	117.0
Liquor Profits and Fees	27.1	26.0	26.1	52.1	25.1	25.1	50.2
Earnings on Investments	74.3	68.2	57.3	125.5	48.5	38.6	87.1
Lottery Transfers	137.3	123.2	126.0	249.2	126.0	127.0	253.0
Other Revenue and Transfers	(151.2)	(214.4)	(216.5)	(430.9)	(242.5)	(246.4)	(488.9)
Total Non-Tax	149.4	56.6	48.8	105.4	13.9	4.4	18.3
Total General Fund-State *	**$8,551.3**	**$8,532.8**	**$8,894.0**	**$17,426.8**	**$9,321.9**	**$9,876.9**	**$19,198.8**

A Actual
* Detail may not add to totals due to rounding.
** Includes General Fund-State portion of the rental car tax.

TABLE 3.11 CASH BASIS

Track Record for the 1995-97 General Fund-State Cash Forecast
February 1994 through November 1995
(Millions of Dollars)

Date of Forecast	Department of Revenue*	Other Agencies*	Subtotal*	Legislation**	Total Change	Total General Fund-State Cash Basis
February 1994 ****	$16,701	$1,130	$17,831			$17,831
Changes to Forecast						
June 1994	(8)	(1)	(9)	(192)[1]	(201)	17,630
September 1994	114	29	143	0	143	17,774
November 1994	195	(2)	193	1	194	17,968
March 1995	(35)	13	(23)		(23)	17,945
June 1995	(152)	9	(143)	(242) [2]	(385)	17,560
Sepember 1995	101	23	124		124	17,684
November 1995	(7)	1	(6)	(10) [3]	(15)	17,668
February 1996	(99)	(10)	(109)	(132) [4]	(242)	17,427
Total Change*:**						
From February 1994	$109	$62	$171	($575)	($404)	
Percent Change	0.7%	5.5%	1.0%	(3.2%)	(2.3%)	

* Excludes legislative, judicial or other major non-economic changes.
** Includes legislative, judicial or other major non-economic changes.
*** Detail may not add to total due to rounding.
****First official forecast for the 1995-97 biennium.
1 Change to the forecast due to legislation and budget driven revenue enacted during the 1994 legislative session. Major changes include: enactment of a B&O small business credit; enactment of a high technology credit; expansion of the sales tax deferral and reduction of the B&O surtax enacted in 1993.
2 Change to the forecast due to legislation and budget driven revenue enacted during the 1995 legislative session. Major changes include: a sales tax exemption for machinery and equipment purchased by manufacturers, a one-time reduction in the state property tax levy and selected B&O tax rate reductions.
3 Change to the forecast due to legislation. This legislative change primarily reflects the General Fund-State impact of the stadium funding package (-$7.2 million) enacted during the November 1995 special legislative session.
4 Change to the forecast due to 1996 legislation. This legislative change reduces the B&O tax rate on service activities, increases the B&O job credit for distressed areas and creates a B&O credit for employer provided training in distressed areas.

TABLE 3.12

February 1996 Baseline Forecast by Agency
General Fund - State 1993-95, 1995-97 & 1997-99 Biennia
Comparison of Cash and GAAP Basis
(Millions of Dollars)

Agency	1993-95 Biennium Cash Basis [1]	1993-95 Biennium GAAP Basis [2]	1993-95 Biennium Diff.	1995-97 Biennium Cash Basis [1]	1995-97 Biennium GAAP Basis [2]	1995-97 Biennium Diff.	1997-99 Biennium Cash Basis [1]	1997-99 Biennium GAAP Basis [2]	1997-99 Biennium Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue [3]	$15,088.7	$15,166.4	$77.7	$16,167.1	$16,200.1	$33.0	$17,961.7	$18,042.3	$80.6
Department of Licensing	848.0	847.9	(0.2)	833.5	833.8	0.2	925.4	925.6	0.2
Insurance Commissioner [4]	351.9	351.9	0.0	322.0	322.0	0.0	312.9	312.9	0.0
State Treasurer	159.6	159.3	(0.3)	125.5	123.6	(1.9)	87.1	85.4	(1.6)
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	122.9	125.1	2.3	120.2	120.5	0.3	126.8	126.8	0.0
Subtotal: General Fund-State Cash/Revenue*	**16,571.1**	**16,650.7**	**79.6**	**17,568.4**	**17,600.0**	**31.6**	**19,413.9**	**19,493.1**	**79.2**
General Fund State - Other Financing Sources [5]									
Department of Revenue [6]	84.3	93.6	9.4	93.6	93.6	0.0	84.3	84.3	0.0
Lottery Commission	248.1	232.0	(16.1)	249.2	249.2	0.0	253.0	253.0	0.0
Insurance Commissioner [7]	(4.7)	(4.7)	0.0	(5.0)	(5.0)	0.0	(5.5)	(5.5)	0.0
Liquor Control Board	58.0	58.2	0.3	54.9	54.9	0.0	53.1	53.0	(0.0)
Office of Financial Mangement									
Other Agencies [8]	(392.2)	(392.1)	0.0	(534.3)	(534.3)	0.0	(600.0)	(600.0)	0.0
Subtotal: GFS Other Financing Sources*	(6.5)	(13.0)	(6.5)	(141.6)	(141.6)	0.0	(215.1)	(215.1)	(0.0)
Total Available Receipts/Resources General Fund-State *	**$16,564.6**	**$16,637.7**	**$73.1**	**$17,426.8**	**$17,458.4**	**$31.6**	**$19,198.8**	**$19,277.9**	**$79.2**

* Detail may not add due to rounding.
1 General Fund-State cash receipts forecast.
2 General Fund-State Revenue Forecast on a GAAP (Generally accepted accounting principles) basis, used to show the state revenue position for financial reporting purposes.
3 Excludes the state share of the timber tax and unclaimed property transfers.
4 Total insurance premiums tax.
5 Other financing sources represent transfers to/from other funds from/to the General Fund.
6 Includes the state share of the timber excise tax and unclaimed porperty transfers.
7 Forty percent of fire insurance premiums.
8 Agency 701 and accounting sources: 480 and 481 for all other agencies.

TABLE 3.13

Resources, Expenditures and Reserves
General Fund-State; February 1996
(Millions of Dollars)

	GAAP Basis	Cash Basis
II. 1995-97 Biennium		
Unrestricted Beginning Balance	$558.9	$661.4
November 1995 Forecast	17,717.1	17,668.5
1996 Legislation*	(144.3)	(132.4)
February 1996 Forecast Change	(114.4)	(109.3)
February 1996 Forecast	17,458.4	17,426.8
Total Available Resources	18,017.3	18,088.2
Expenditures		
1995-97 Appropriations**	17,598.8	17,598.8
Total Appropriations	17,598.8	17,598.8
Balances/Reserves		
Estimated Ending Fund Balance (Deficit)	$418.6	$489.4

* 1996 legislation. Reduction of the B&O tax rate on services.
** The 1995-97 appropriation level as of November 1995. Any adjustments due to adoption of a supplemental budget during the 1996 legislative session are not included.

provision of the state's Budget and Accounting Act. Washington's Budget and Accounting Act requires that allotment reductions be made when expected cash receipts are less than expected disbursements. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. References to the General Fund-State forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Table 3.9 are on a cash basis. Table 3.12 compares the cash receipts forecast and the GAAP forecast by agency. Actual revenue for the 1993-95 biennium on a GAAP basis totals $16,637.7 million, $73.1 million higher than the cash total of $16,564.6 million. The February forecast for the 1995-97 biennium on a GAAP basis is $17,458.4 million, $31.6 million more than the cash estimate of $17,426.8 million. The GAAP forecast for the 1997-99 biennium totals $19,277.9 million, $79.2 million more than the cash receipts forecast of $19,198.8 million.

Table 3.13 summarizes the current forecast of the General Fund-State unreserved ending balance for the 1995-97 biennium based on the February forecast. There are two balances. One is on a cash basis and the other is on a GAAP basis. The cash balance reflects the estimate of cash in the treasury as of June 30, 1997. The GAAP balance reflects the state's unreserved equity position (assets, including cash and net accrued revenue, less liabilities) as of June 30, 1997. The estimated ending balance on a GAAP basis based on the February forecast is $418.6 million; on a cash basis the estimated ending balance is $489.4 million. These ending balance projections are based on the 1995-97 appropriation level of $17,598.8 million. The legislature is currently in session. Any changes made by the legislature during the 1996 session to appropriations or to revenues for the 1995-97 biennium may affect the projected ending balance.

Tuition Forecast

Legislation enacted during the 1992 legislative session removed higher education tuition and operating fees collected by the state's colleges and universities from the General Fund. Instead, tuition and fee revenue are deposited into the operating fund of each institution of higher education. This change became effective July 1992. The legislation enacting this transfer requires that the Forecast Council staff continue to review the tuition forecast and that the tuition forecast must be approved by the Forecast Council as part of the quarterly forecast review process. Table 3.14 shows the February 1996 tuition revenue for fiscal 1993 and beyond. The tuition numbers for fiscal 1992 and earlier years are included in the General Fund-State totals shown in other tables in this chapter. Data through fiscal 1995 reflect actual collections.

Fiscal 1995 tuition revenue was reduced $1.3 million from the forecast in November, correcting an accounting error. The February tuition and fee forecast for the 1995-97 biennium was reduced $0.7 million from November. The revision reflects updated enrollment assumptions based on the actual level of fall enrollments. Tuition rates are assumed to increase 4 percent in each year of the biennium. The forecast for the 1997-99 biennium totals $678.7 million, up $39.9 million, 6.2 percent, from the current forecast for the 1995-97 biennium. The enrollment assumptions for the 1997-99 biennium are from the Higher Education Coordinating Board's master plan. Tuition rates are assumed to increase at the same rate as inflation, 2.3 percent in fiscal 1998 and 2.5 percent in fiscal 1999.

Alternative Forecasts

The baseline forecast assumes that the national expansion continues and that Washington grows along with the U.S. economy. There is always a danger, however, of either a recession or unsustainably rapid growth (leading to retrenchment

TABLE 3.14

Higher Education and Operating Fee Forecast
February 1996 Compared to the November 1995 Forecast
Cash and GAAP Forecast
(Millions of Dollars)

	November 1995 Forecast	Legislative Change	Forecast Change	February 1996 Forecast	Total Change
1991-93 Biennium	$214.2	$0.0	$0.0	$214.2	0.0
Fiscal 1994	263.5	0.0	0.0	263.5	0.0
Fiscal 1995	314.4	0.0	(1.3)	313.2	(1.3)
1993-95 Biennium	$577.9	$0.0	($1.3)	$576.6	($1.3)
Fiscal 1996	312.3	0.0	(0.2)	312.1	($0.2)
Fiscal 1997	327.2	0.0	(0.5)	326.7	($0.5)
1995-97 Biennium	639.5	$0.0	($0.7)	638.8	($0.7)
Fiscal 1998	NA	NA	NA	334.4	NA
Fiscal 1999	NA	NA	NA	344.3	NA
1997-99 Biennium	NA	NA	NA	$678.7	NA

Forecast by Institution (Thousands of Dollars)

	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999
University of Washington	$98,862	$103,592	106,959.0	111,654.0
Washington State University	52,494	54,988	56,566.0	58,752.0
Eastern Washington University	16,492	17,213	18,475.0	18,838.0
Central Washington University	14,843	15,636	15,285.0	15,285.0
Western Washington University	19,700	20,169	20,495.0	20,951.0
The Evergreen State College	10,206	10,679	10,851.0	11,094.0
Community Colleges	99,520	104,418	105,811.0	107,706.0
Total Tuition and Fees	**$312,117**	**$326,695**	**$334,442**	**$344,280**

* Beginning July 1, 1992, tuition and fees collected by institutions of higher education are deposited into the operating account of each institution and are not part of the General Fund. This table shows only the tuition forecast since this change. Prior to July 1992 the tuition and fee forecast is included in the General Fund-State total shown elsewhere in this chapter.

TABLE 3.15 CASH BASIS

February 1996 Alternative Forecasts Compared
to the February 1996 Baseline Forecast-Cash Basis
1995-97 Biennium
(Millions of Dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	$8,730.9	$8,574.0	$8,336.2
Business & Occupation	3,295.6	3,234.1	3,141.3
Use	564.9	550.4	529.4
Public Utility	389.2	385.6	380.0
Property (School Levy)	2,355.0	2,242.9	2,153.2
Real Estate Excise	504.8	486.1	458.5
Other	821.2	787.6	755.1
Subtotal	16,661.6	16,260.7	15,753.7
Department of Licensing	858.5	833.5	808.5
Insurance Commissioner [1]	324.9	317.0	309.1
Lottery Commission	286.6	249.2	211.8
State Treasurer - Interest Earnings	154.9	125.5	108.0
Liquor Profits & Fees [2]	56.3	54.9	53.5
Office of Financial Management			
Other Agencies	(407.8)	(414.1)	(420.3)
Total General Fund - State*	$17,935.0	$17,426.8	$16,824.3
Difference from the February 1996 Baseline	$508.2		($602.5)

1 Insurance premiums, General Fund-State portion.
2 Includes beer and wine surtax.
* Detail may not add to total due to rounding.

later). The alternative forecasts for the 1995-97 biennium address these possibilities. In the optimistic scenario the weakness in the fourth quarter is temporary. Consumer spending begins to accelerate in early 1996. Higher productivity keeps inflation in check and investment spending also accelerates. Growth is higher in this scenario than assumed in the baseline forecast. In the optimistic scenario, by the end of calendar 1996 state personal income is 3.0 percent higher than the baseline estimate and wage and salary employment is 34,400 above the baseline. By the end of the 1995-97 biennium state employment is 2.2 percent above the baseline forecast and state income is 4.0 percent higher. In the pessimistic alternative, the nation falls into a recession. In this scenario, real GDP declines for two quarters beginning in the second quarter of 1996. Washington's economy slows in response to the weakening national economy. Aerospace growth is disproportionately weaker than the baseline forecast and in this recession, Washington's overall income and employment decline is greater than the U.S. as a whole. In the pessimistic alternative, state personal income is 3.6 percent below the baseline by the end of 1996 and 5.3 percent less than the baseline by the end of the 1995-97 biennium. Employment is more than 50,000 less than the baseline by the end of 1996 and is 2.9 percent below the baseline by the end of the biennium. Table 3.15 shows the revenue implications of these alternative scenarios for the 1995-97 biennium. The optimistic scenario generates $17,935.0 million in General Fund-State revenue in 1995-97. This is $508.2 million more than the baseline forecast. The pessimistic alternative produces only $16,824.3 million in the 1995-97 biennium, $602.5 million less than the baseline forecast. In addition to the official optimistic and pessimistic alternatives, another alternative forecast was made in February. This was developed by averaging the forecasts for key economic variables made by members of the Governor's Council of Economic Advisors. The Governor's Economic Council's alternative was similar to the baseline, producing about $17 million more for the General Fund for the 1995-97 biennium.

Is Washington Diversifying?

Introduction

It has been 14 years since Washington last weathered a recession. This achievement—noteworthy, considering the longest U.S. expansion, going back to 1850, lasted nine years (1961-1969)—has a number of explanations. A popular thesis is that Washington has become more diversified in recent years, making it less susceptible to business cycles.

This report explores and confirms that diversification is taking place. It does not follow, however, that business cycles will moderate. In studying this topic, the paper explores several related themes: What does it mean to diversify? Is diversification a good thing? Are volatile sectors also fast growing ones? Are state business cycles moderating?

The report's main findings are two. First, using beta, a variable used to measure a security's risk as a yardstick, one can conclude that Washington is diversifying. Second, a diversified economy not only is more stable, but grows faster than an undiversified economy.

The report proceeds as follows. Part 1 provides a working definition of diversification. Part 2 uses this definition to measure a sector's contribution to state business cycles. Part 3 discusses whether there is something analogous to the security market line in the labor or product market. Part 4 discusses how diversification in Washington compares with other states. Part 5 discusses the relationship between instability and growth. Part 6 concludes.

Part 1. What does it mean to Diversify*?*

When laymen speak of an economy diversifying, they usually mean it is branching out into several sectors. In financial circles, the term "diversification" has a more precise meaning. It refers to combining stocks to minimize risk for a given rate of return (or maximize returns for a given level of risk). Suppose the corporate world consists of two firms, one selling umbrellas, and another selling parasols. Both stocks on average offer the same rate of return (say, 10 percent), and both are equally risky (their variance is 5 percent). If an investor held all her wealth in either umbrella or parasol stocks, on average she would earn 10 percent, and the variance of her portfolio would be 5 percent. If the investor held half her assets in each stock, returns would still average 10 percent. However, the variance would be lower than 5 percent. Specifically, it would be given by the following formula:

$$\sigma_T^2 = \alpha_p^2 * \sigma^2_p + \alpha_u^2 * \sigma^2_u + 2 * \alpha_p * \alpha_u * r_{pu} * \sigma_p \sigma_u$$

where:

σ_T^2 = variance of the portfolio

σ_p^2 = variance of parasol stocks

σ_p^2 = variance of umbrella stock

α_p = The proportion of the portfolio invested in parasols

α_u = The proportion of the portfolio invested in umbrellas

r_{pu} = correlation coefficient between the parasol stocks and umbrellas stocks

The last term is the key one. Three important conclusions follow from it. First, diversification reduces variance. Unless returns are perfectly positively correlated (r_{pu} =1), one can earn 10 per-

cent, with a variance lower than 5 percent, by mixing stocks. Second, the appropriate level of diversification depends on how stock returns are correlated. If stocks are perfectly inversely correlated ($r_{pu} = -1$), for example, one can always find a portfolio mix that eliminated risk altogether. Third, the main determinant of risk is not a stock's volatility, but its correlation with other securities.

Economists measure risk by a variable called beta, defined as

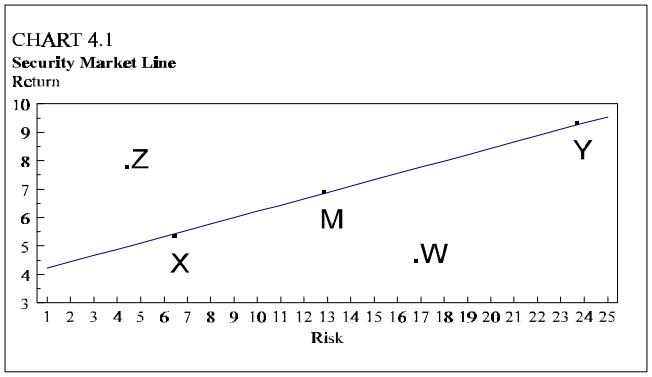
$$\text{Beta} = \sigma_{im}/\sigma^2_m$$

σ_{im} = covariance between stock i and the market

σ^2_m = the market variance

A beta greater than one indicates the security is more volatile than the market, and beta less than one means the security is less volatile. Note that a volatile security inversely correlated with the market is considered safe.

The risk-return choices investors face is often represented as a security market line (Chart 4.1). An



investor's objective is to select a point on the line consistent with her preferences. A risk averse person will select a point such as X. A risk lover will select a point such as Y. Portfolios above the security market line, such as Z, could not exist. The market would bid the price of the stocks up, thereby lowering their return. Portfolios below the line, such as W, also would not exist. Investors would spurn them, thereby lowering their price, and raising their return. Market forces ensure that a security market line exists. Once on the line, diversification will not reduce risk; an investor can achieve a higher return only by taking on more risk.

Part 2. Can this model add to our understanding of state cycles?

The portfolio model discussed here, an abbreviated version of the capital asset pricing model, is simple, yet gives precise and far reaching answers. As with any good model, it is tempting to extend it to explain other phenomena. Can this model help in understanding a state's business cycles?

In two important ways it can. First, the model provides a definition of diversification, and a yardstick for measuring risk: A diversified economy is one consisting of industries that follow different cycles; beta is an appropriate variable for measuring a sector's contribution to state cycles.

The model, thus, can give insights into how aerospace's relative decline will affect state economic cycles. The answer, according to beta, depends on two opposing effects. First, the standard deviation of aerospace's cycles. Over the past 45 years the standard deviation of aerospace's employment growth rates has been about 18 percent, compared to 3 percent for Washington. Second, the correlation between aerospace employment and state employment. Until recently aerospace cycles tended to coincide with state cycles. Over the past 15 years, however, with the global airline market expanding, they have become more asynchronous. For example, when the U.S. went into a recession in 1990, aerospace employment remained steady at about 115,000. As the U.S. economy recovered, the aerospace sector went into decline, shedding 35,000 state jobs between 1991 and 1995. Now, with the state's economy slowing down, the aerospace sector is starting to expand.

In the long run, is aerospace employment a stabilizing or destabilizing factor in the economy? Table 4.1 provides the data to make the calculations. Columns 1, 2, and 3 list the correlation between Washington employment and employment in the state's major sectors for different time periods. Columns 4 and 5 list the average growth rate and the standard deviation of growth for 1969 through 1995. Finally, column 6 lists beta. Aerospace's employment beta is 3.33, indicating that aerospace cycles are far more volatile than state cycles. Beta for services, the fastest growing sector, is .65, indicating that the shift over the past 20 years out of manufacturing and into services has been stabilizing.

Three qualifications are in order. First, beta changes over time. The beta for aerospace, for example, has fallen in recent years because the aerospace cycles have moderated, and because aerospace production and Washington economic activity have become more asynchronous (economic activity in Washington closely mirrors U.S. economic activity; aerospace cycles are increasingly influenced by the global economy). Second, the employment beta's for the software industry and for high-tech and biotechnology, three large growing sectors, are unknown, since these industries have not been around long. Third, aerospace in 1996 accounts for less than 4 percent of state employment. Its contribution to state cycles, thus, is limited by its size.

Part 3. Is there a Security Market line for Employment?

A security market line exists in financial markets because individuals can chose the composition of their portfolio by shifting in and out of assets. Similar forces do not exist in product or labor markets. An economy's industrial structure is the outcome of decentralized market forces that are oblivious to employment fluctuations. The labor and product markets, left alone, will not diversify. In fact, in the long-run, a condition economists refer to as the steady state, any trade-off between growth and stability should disappear. Employment in all sectors, the stable and volatile ones alike, should grow at the same rate. A particular sector, say the manufacturing sector, could not grow faster than another; otherwise, over time, the economy would consist of manufacturing firms only. The steady state growth rate, also known as the natural growth rate, is determined by growth of the labor force (which, in turn, is linked to population growth). It is a theoretical concept, with no precise empirical meaning. Whether five, ten, or fifty years is long enough to constitute a steady state depends on the circumstances.

Chart 4.2 plots returns and correlation's for the major sectors of the economy. Note that services, the fastest growing sector, is also the most stable. Aerospace, the second fastest growing sector, is the most volatile sector. The remaining sectors are clustered between 1 and 3.5 percent growth. Steady state theory requires growth in all sectors to converge to the economy's growth rate, represented by the solid line labeled AB. Steady state theory has nothing to say about the variance of growth rates.

Part 4. Diversity Across States

Some researchers have a different working definition of diversity than that used above. They consider a state to be diversified if its industrial structure resembles that of the U.S. The intuition behind this definition, presumably, is that a state cannot diversify away instability linked to U.S. business cycles (just as an investor cannot diversify risk away once on the security market line).

Table 4.2 lists the top ten growing states over the past 25 years, and how they fare according to four versions of this definition. By all four estimates, Washington, the seventh fastest growing state, is not diverse. It ranked 38th in industrial diversity in 1995. The industrial diversity index (also

called the Herfindahl index) measures the extent Washington's industrial structure resembles that of the U.S.. It is defined as the inverse of:

$$DIV = \sum_{j=1}^{J} \frac{(EMP_{ijt} - EMP_{USjt})}{EMP_{USjt}}$$

Where EMP_{ijt} refers to employment insector i state j, and EMP_{USj} refers to U.S. employment in that sector. The larger this number, the more Washington resembles the U.S. According to this index (Chart 4.3), Washington diversified substantially between 1969 and 1985, but, with the Boeing expansion of 1985-1990, become less diversified. This index has risen in recent years, but was barely higher in 1994 than it was in 1985.

In some research, a state's beta serves as a proxy for diversity. A state's beta measures the extent state employment growth covaries with national employment growth. It is the coefficient on the U.S. growth in the following regression:

Washington State growth = $\beta_0 + \beta_1 *$ U.S. Growth + ε_i

Where ε_i is the error term. A beta equal to one implies a state's cycles mirror U.S. cycles. For 1985-1994, Washington's beta was .54 (ranking 44th), meaning that a 1 percent change in U.S. growth was associated with a .54 percent change in Washington growth.

Column 3 lists the correlation coefficient between state and national employment growth. By this measure, Washington ranks 35th. A fourth measure of diversity focuses on employment volatility, defined as the standard deviation of 12 month growth divided by the 12 month growth rate. By this measure, Washington ranks 43rd.

Washington, thus, scores either average or poorly by all four estimates—and yet the state has avoided an economic downturn since 1982. Utah and Nevada, with economies also expanding since 1982, also score low on most diversity measures. Idaho and New Mexico also score low, yet have performed impressively.

What can one conclude from this? Just because a state's industrial structure resembles that of the U.S. does not mean that the state's industries are diversified. Nor does it imply that state cycles should be moderate. Second, to the extent there is a relation between growth and variance, it appears to be negative. Could there be a relationship between growth and stability?

Part 5. The Tradeoff between Growth and Stability

To get a higher return in financial markets, one must accept greater risk. In the labor market, such a relationship should not exists in a steady state. Might, however, there be a relationship between risk and return for states or sectors in the short run? Theoretically, it is unclear: there are two opposing effects. On the one hand, firms may be reluctant to invest in unstable economies. On the other hand, firms may demand higher returns, and workers higher wages, in return for working in unstable industries or regions.

In a recent paper Garey Ramey and Valerie Ramey (1995) examined this relationship. They regressed growth rates for 92 countries against the standard deviation of growth rates. Their results are the following:

$\Delta y_i = .030 - 0.154\sigma_i$
(7.7) (-2.3) $R^2 = .057$

where
Δy_i = average growth rate of country i

$\Delta\sigma_i$ = standard deviation of the growth rate of country i

The t-statistics (in parenthesis) indicate that there is a negative and significant relationship between

growth and stability. One can extend this regression to the U.S. Consider the following regression for annual growth in real per capita income (1950-1994) for all states:

$$\Delta pci_i = .0218 - 0.0509\sigma_i \qquad R^2 = .057$$
$$(19.17) - (1.45)$$

The first equation fails to establish a relationship one way or another. The equation is misspecified, however, since lower income states tend to grow faster than larger states. To control for this, one can add the initial level of per capita income as an additional regressor:

$$\Delta pci_i = .0218 - 0.0407\sigma_i - .0131\ pci_{1950} \qquad R^2 = .72$$
$$(12.61)\ (-2.01) \qquad (-10.552)$$

In the second equation, the t-statistic on the standard deviation is negative and significant. From this, it appears that to the extent that there is a relationship between growth of per capita income and instability, it is a negative one. An analogous regression for employment gives similar results:

$$\Delta E_i = .0215 + 0.88\sigma_E \qquad R^2 = .47$$
$$(.35) \quad (3.85)$$

$$\Delta E_i = .054 - 0.0048\sigma_{iE} + .00001\ E_{1950} \qquad R^2 = .47$$
$$(4.22)\ (-2.03) \qquad (-.048)$$

Implications

Washington has been diversifying in recent years. According to the results of this report, this is a positive development. Diversified states are more stable and grow faster.

In recent years Washington's industrial structure has become more like that of the U.S. It is shifting away from manufacturing, and into services. Over time, its business cycles will become more synchronous with those of the U.S. Likely, this will mean milder albeit more frequent economic downturns.

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CHART 4.2

Growth and Standard Deviation of Key Sectors

(1969- 1994)

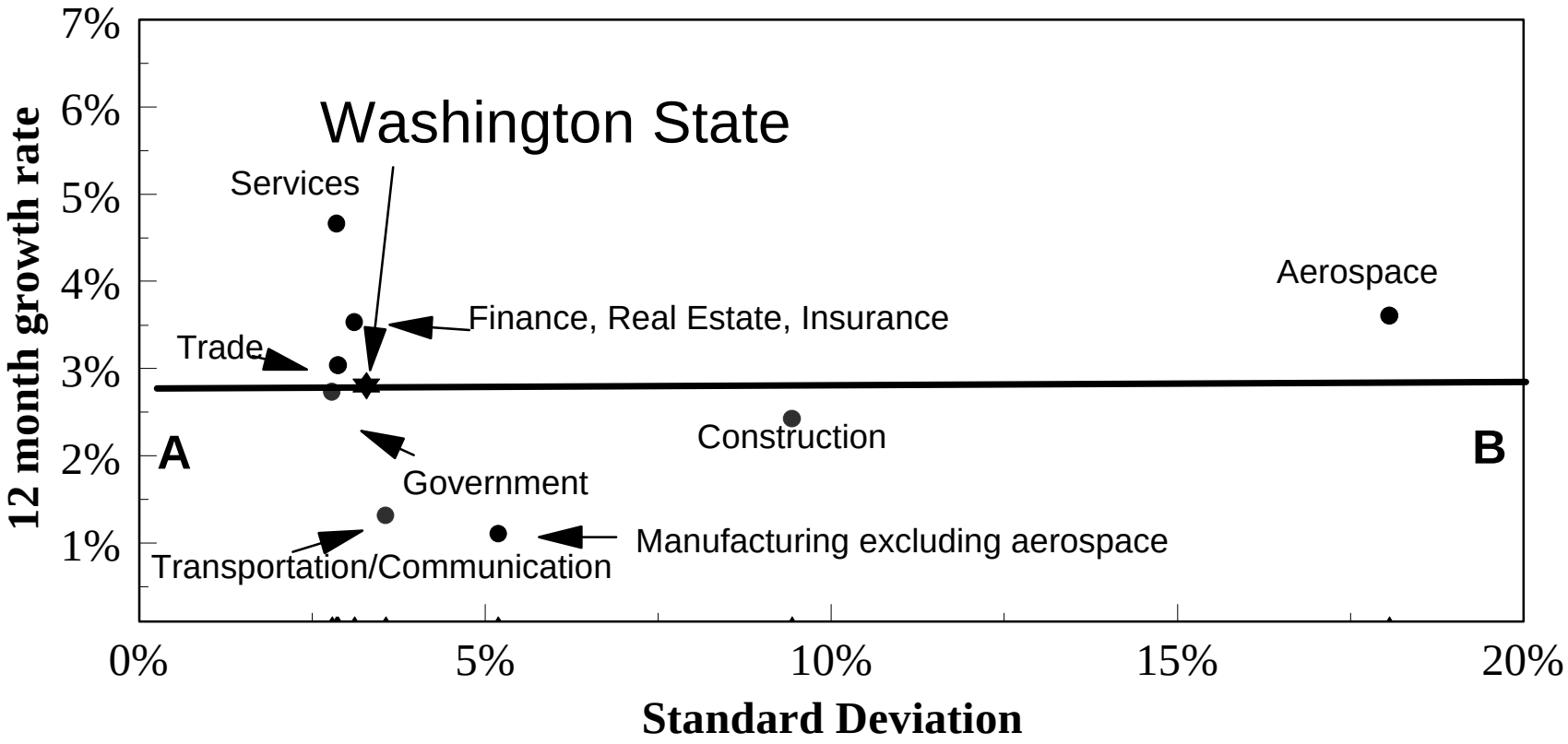


CHART 4.3

Washington's Economic Diversity Index

1969 - 1994

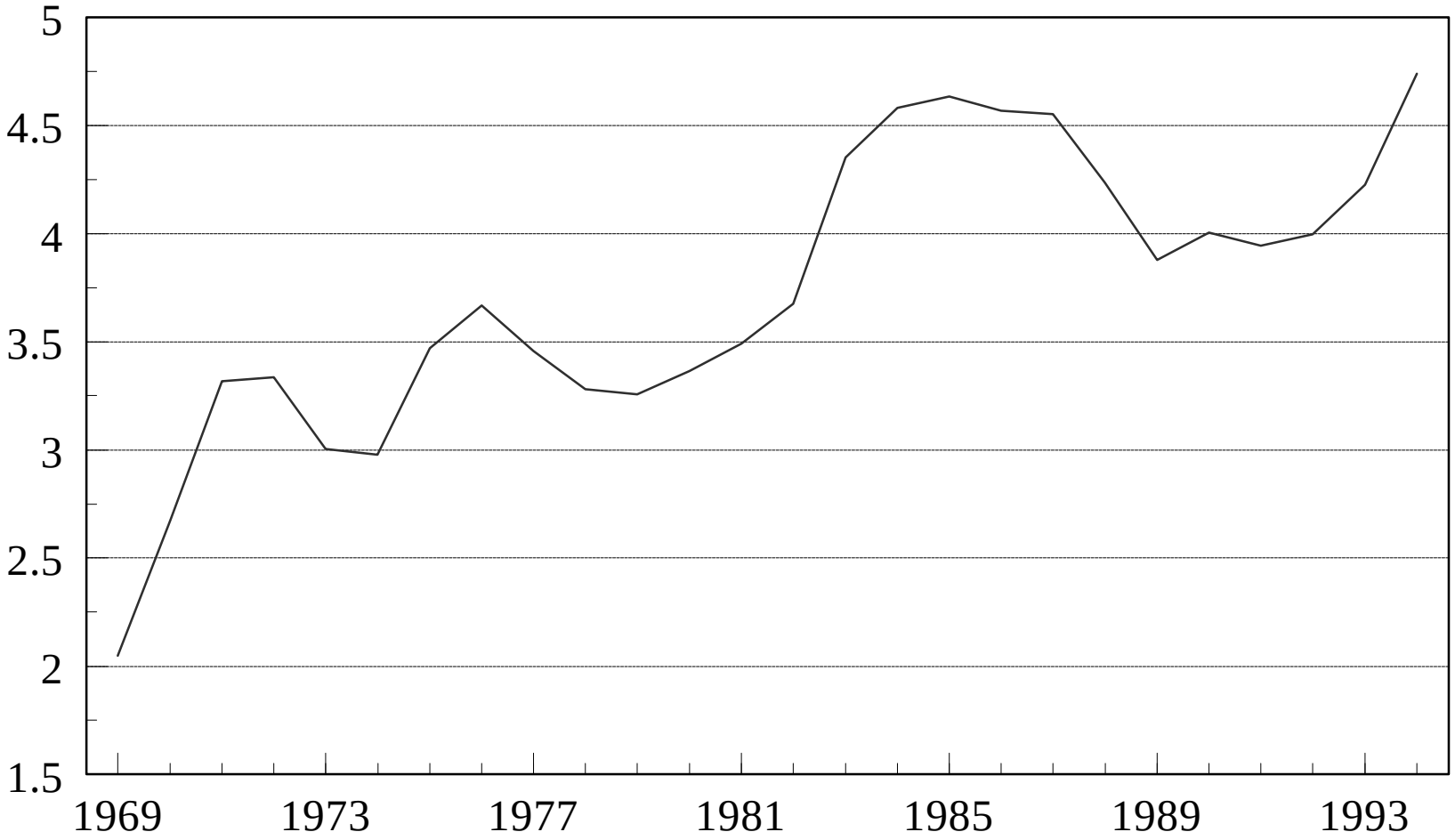


TABLE 4.1

Growth, Variance and Betas for Industries in Washington

Fraction of Labor Force in 1994		(1) Correlation with State Employment 1950-1995	(2) 1970-1995	(3) 1980-1995	(4) Average Growth Rate 1970-1994	(5) Standard Deviation of Growth 1970-1994	(6) Beta
14.6%	Manufacturing	0.89	0.90	0.86	1.57%	6.36%	1.72
4.0%	Aerospace	0.61	0.68	0.42	3.60%	18.07%	3.33
26.0%	Services	0.75	0.88	0.82	4.66%	2.85%	0.65
5.4%	Construction	0.73	0.80	0.88	2.43%	9.43%	2.08
5.0%	Transportation/communications	0.79	0.82	0.81	1.32%	3.56%	0.86
5.4%	Finance/real estate/insurance	0.60	0.79	0.59	3.53%	3.11%	0.57
10.5%	Manufacturing excluding aerospace	0.71	0.77	0.74	1.11%	5.19%	1.12
19.0%	Government	0.57	0.36	0.63	2.73%	2.79%	0.48
24.5%	Wholesaling and retailing	0.87	0.91	0.87	3.04%	2.88%	0.76
	Total	1.00	1.00	1.00	2.80%	3.28%	1.00

TABLE 4.2

Measures of Diversity for the Top 10 Growing States

		(1) Growth Rates 1969 - 1994	(2) Sectoral Diversity (Rank)	(3) Beta (Rank)	(4) Employment Correlations (Rank)	(4) Employment Volatility (Rank)
1	Nevada	5.49%	50	0.83 (33)	0.66 (30)	62.30 (39)
2	Arizona	4.84%	23	0.97 (22)	0.77 (29)	96.32 (28)
3	Florida	4.21%	13	1.18 (6)	0.95 (1)	89.09 (30)
4	Utah	3.69%	1	0.5 (46)	0.36 (39)	60.19 (40)
5	Alaska	4.49%	40	1.09 (11	0.13 (42)	349.25 (7)
6	Georgia	3.07%	12	1.11 (10)	0.91 (8)	99.41 (26)
7	Washington	2.94%	38	0.55 (43)	0.55 (35)	57.13 (43)
8	New Mexico	3.37%	21	0.64 (39)	0.56 (34)	74.85 (35)
9	North Carolina	2.65%	17	1.05(15)	0.9 (9)	85.72 (33)
10	Idaho	3.39%	43	0.94(27)	0.03 (45)	88.42 (31)

Chain Weight Real Gross Domestic Product

Introduction

The U.S. Department of Commerce, Bureau of Economic Analysis (BEA) was to have released its 10th comprehensive revision of the national income and product accounts (NIPA) in December 1995. Due to the budget impasse, which shut down most federal government statistical agencies, the revised estimates were released too late to be incorporated in this forecast. The results of the comprehensive revision will be reflected in the June forecast update, however. According to the BEA, comprehensive revisions are made to incorporate "(1) Definitional and classificational changes that update the accounts to portray more accurately the evolving U.S. economy, (2) statistical changes that update the accounts to reflect the introduction of new and improved methodologies and the incorporation of newly available and revised data, and (3) presentational changes that update the NIPA tables to reflect definitional, classificational, and statistical changes and to make the tables more informative."[1] The most striking innovation in the latest comprehensive revision, however, is a new featured measure of real output and prices.

Fixed Weight Real GDP

Gross domestic product (GDP) is the sum total of production that occurs within the borders of the United States. Calculating GDP and its major components — consumption, investment, government purchases, and exports and imports — involves aggregating all sorts of disparate goods and services. It is, literally, an exercise in adding apples and oranges. Clearly, different goods and services cannot be aggregated without a weighting scheme. The prices of the components of GDP provide the weights. Thus, current dollar GDP is simply the total dollar value of all the components.

The calculation of current dollar or nominal GDP is not very controversial, but also not very interesting. What we are usually interested in is how much of the change in current dollar GDP from one period to the next is due to changes in quantities and how much is the result of changes in prices. In the past, the BEA has used a fixed weight methodology to distinguish price changes from quantity changes. First, a base year is chosen. Prior to the most recent GDP release the base year was 1987. Next, the individual components of nominal GDP, at a high degree of disaggregation, are deflated with appropriate indices and converted to constant dollar or real (1987 dollar) equivalents. The real components are then added up to calculate real GDP and its major components. Real GDP calculated this way has the virtue that changes in real GDP reflect only changes in quantities since prices are held constant. Implicit price deflators for GDP and its components are generated by dividing the nominal values by the real values.

Apples and Oranges

The above procedure works well when relative prices are relatively constant. When relative prices vary, however, the split between inflation and real growth varies depending on the base year chosen. As relative prices change over time, purchasers tend to substitute away from the goods and services that have become relatively more expensive and towards those that have become relatively cheaper. Consider the example in Table 5.1.[2] Though the price of both apples and oranges rose between the two periods, the price of apples rose relatively less, making apples relatively more attractive to consumers. As a result, consumers

TABLE 5.1

Year 1

	Expenditures	Quantity	Price
Oranges	$3.00	30	$0.10
Apples	$2.00	10	$0.20
Total Fruit	$5.00		

Year 2

	Expenditures	Quantity	Price
Oranges	$4.00	20	$0.20
Apples	$5.00	20	$0.25
Total Fruit	$9.00		

purchased relatively more apples and fewer oranges in the second period than in the first. There is no question that the quantity of oranges dropped by a third between the two periods while the quantity of apples doubled, but what can be said of the quantity of fruit in general? Likewise, the price of oranges doubled while the price of apples rose only 25 percent. What can we say about the price of fruit in general? Evaluated at Year 1 prices, the value of fruit rose from ((30 x $0.10) + (10 x $0.20))= $5.00 to ((20 x $0.10) + (20 x $0.20)) = $6.00, a 20.0 percent increase in real output. The real value of fruit in Year 2 prices, however, rose from ((30 x $0.20) + (10 x $0.25))= $8.50 to ((20 x $0.20) + (20 x $0.25)) = $9.00 which is an increase of only 5.9 percent. Did real output rise 20.0 percent or 5.9 percent. Since the current dollar increase is the same regardless of the base year, the implicit price deflator for fruit, which is defined as current dollar fruit divided by constant dollar fruit, is affected in the opposite direction. Using Year 1 as the base year, the implicit price deflator for fruit rose 50.0 percent between the two periods. The Year 2 fruit deflator rose 70.0 percent, however, using the same underlying data. The possibility of substitution biases the fixed weight methodology in favor of the base year. Year 1 real output tends to look better relative to Year 1 (less real growth and more inflation) if Year 1 is the base year. Conversely, Year 2 real output tends to look better relative to Year 1 (more real growth and less inflation) if Year 2 is the base year.

The common sense solution is to take an average of the two real growth rates and economic theory supports this approach. In the "Fisher Ideal" methodology, the ratio of the second year's real output to the first year's real output is calculated as the geometric mean of the two fixed weight ratios. In the above example, the ratio of Year 2 to Year 1 real output is $(1.200 \times 1.059)^{1/2} = 1.127$. Thus, this methodology produces a real growth rate of 12.7 percent. Inflation, as measured by the resulting implicit price deflator, is 59.7 percent. This is the precisely the approach that has been adopted by the BEA in its latest comprehensive revision of the national income and product accounts for annual GDP estimates. The base year for the new estimates is 1992. This year was chosen because it is the latest year that will not be revised before the next comprehensive revision of the NIPA. By definition, real GDP in the base year is the same as nominal GDP. Real GDP for years prior to the base year and subsequent to the base year are "chained" to the base year GDP using the growth rates derived with the "Fisher Ideal" formula to generate "chained (1992) dollar" estimates.

The BEA concluded that the quarterly price data are too erratic, however, to use in calculating quarter to quarter real growth. Instead, annual price data from adjacent years are used. The third and fourth quarters of a given year use the prices for the current year and subsequent year while the first and second quarters use prices from the prior year and current year. This is not possible for the most recent several quarters, however, since it requires annual data that are not yet available. The BEA does not use price data that has not yet undergone an annual revision. Currently the last year to be so revised is 1994. As a result, another method must be used to estimate real growth from the third quarter of 1994 on. For these quarters, the BEA uses weights from the most recent revised annual data (1994) to calculate real growth for the later quarters. This means that the most re-

cent quarterly data suffer from the same substitution bias as under the previous fixed weight regime. The distortions should be smaller than under the previous methodology, though, since the weights will be much more current. For example, the initial estimates of real growth in the third quarter of 1995 were based on 1987 prices. Under the new methodology, the third quarter growth rate would have been calculated using 1994 prices.

Changing History

Rebasing the national income and product accounts from one period to another changes the level of the quantity and price measures. What may be surprising, though, is that rebasing, under the fixed weight regime, can significantly alter reported real growth and inflation. This is due to the substitution effect described above. The quantity of goods and services whose prices fall relative to other prices tends to increase more than the quantity of goods and services whose relative prices rise. Thus, just as in the apples and oranges case, the most rapidly growing sectors tend to add less to aggregate growth when evaluated at the later, and relatively lower, prices. In recent years, the rapidly declining price of computers combined with explosive real growth has been producing this phenomenon. The strong real growth in computer production adds much more to aggregate growth when evaluated at 1987 prices than at the much lower current prices.

Chart 5.1 compares the pre-comprehensive revision fixed weight estimates of real GDP with the chain weight alternative. In both cases the base year is 1987 and both use exactly the same underlying data. The two measures produce similar results in the vicinity of the base year but diverge at each end. In the three years ending with the third quarter of 1995, the chain weight measure produces 0.7 percent per year less real growth than does the fixed (1987) weight measure. Inflation, as measured by the implicit price deflator for GDP, is correspondingly higher under the chain weight measure as is illustrated in Chart 5.2.

The appearance of Washington real personal income growth is also affected by the switch to chain weight estimates, although the distortions are less than in GDP. The implicit price deflator for consumption is used to deflate personal income. Chart 5.3 compares Washington personal income deflated with the fixed weight measure with Washington personal income deflated with the chain weight alternative. During the three years ending with the third quarter of 1995, the chain weight methodology produces 0.4 percent per year less real growth than does the fixed weight scheme. Inflation, as measured by the implicit price deflator for consumption, is 0.4 percent per year more during this period as is illustrated in Chart 5.4.

The Forecast for 1996-99

The biases inherent in the fixed weight methodology continue into the future. Table 5.2 shows what the current forecast would look like using chain weights and compares it with the actual, fixed (1987) weight forecast. All the major components of GDP, with the exception of the federal government, would show less growth under the chain weight methodology. The growth of the corresponding implicit price deflators would be affected by the same amount but in the opposite direction. One of the major drivers of the current expansion has been nonresidential fixed investment. As mentioned above, the most important reason that the chain weight approach produces less real growth is that it gives a much smaller weight to computers. This is particularly evident in nonresidential fixed investment which grows two to three percent per year less with chain weights.

Charts 5.5 and 5.6 illustrate the likely effects of the chain weight methodology on future forecasts of real growth and inflation. The deflators used in these charts were taken from the Data Resources'

February forecast which was the first to include both chain weight and fixed (1987) weight concepts. In Chart 5.5, real GDP calculated both ways has been indexed to the fourth quarter of 1995 level. As can be seen, the chain weight measure continues to rise more slowly throughout the forecast. By the end of 1999 the difference is 1.7 percent. The slower real growth using chain weights is offset by higher inflation, as can be seen in Chart 5.6. During the four years in this forecast, chain weights result in an average of 0.4 percent per year more inflation and less real growth than fixed weights.

The conversion to chain weights will also affect the appearance of the Washington State economic forecast. Chart 5.7 compares the Washington real personal income forecast calculated with the chain weight deflator to the personal income forecast calculated with the fixed (1987) weight deflator. The difference in total real personal income growth over the four years remaining in the forecast is 1.3 percent. The implicit price deflator for consumption rises an average of 0.3 percent per year more using chain weights than fixed (1987) weights as is illustrated in Chart 5.8, which means that real personal income grows 0.3 percent per year less.

Does It Matter?

The adoption of chain weight measures of real output and prices is more a matter of style than substance. The underlying data are unaffected; only the way aggregate measures of output and prices are displayed is changed. As long as the forecasting is done at a sufficiently disaggregated level, the forecast will be relatively unaffected by moving to chain weights. If every component of real GDP were forecasted at the same fine level of detail as in the most detailed BEA estimates, the forecast would be completely unaffected. The national model used in this forecast is sufficiently disaggregated. In particular, there are variables in the consumer and business sectors to account for the computer effect that is the main source of distortion in the fixed (1987) weight estimates.

The potential exists for an impact on the state forecast as a result of the adoption of chain weight estimates. The state model is also fairly disaggregated and is driven by the U.S. forecast for specific industries, though. The aggregated components of GDP are not factors in the state economic model. The one area where chain weights could make some real difference is through real personal income. The implicit price deflator for consumption is used to deflate Washington personal income. Since chain weights produce a more rapidly growing consumption deflator, they will produce a more slowly growing real personal income forecast. Real personal income is not an important explanatory variable in the model, however, so the impact will be slight. As in the national forecast, the main result of the move to chain weights will be in the split between reported inflation and real growth.

Conclusion

The new measures of real output and prices will provide a more accurate tracking of real growth and inflation, especially as we move farther away from the base year. In the future, the real growth and inflation between two years will depend only on the prices and quantities in those years rather than in some arbitrary earlier year. By removing the substitution bias, this "Fisher Ideal" approach is theoretically superior to the fixed weight methodology. Finally, since the real growth and inflation estimates depend only on contemporaneous prices and quanties, they will be unaffected by changes in the base year. Changing the base year will change the level of real output and prices but leave the pattern of growth unaffected.

Footnotes:

1. "Improved Estimates of the National Income and Product Accounts for 1959-1995," Survey of Current Business, January/February 1996, p. 1.
2. "Preview of the Comprehensive Revision of the National Income and Product Accounts" Survey of Current Business, July 1995, p. 31.

TABLE 5.2

Impact of the Comprehensive NIPA Revision on Reported GDP Growth

Annual Percent Change

Chain Weighted GDP Forecast	**1995:2**	**1995:3**	**1995:4**	**1996:1**	**1996:2**	**1996:3**	**1996:4**	**1994**	**1995**	**1996**	**1997**	**1998**
Gross Domestic Product	0.7	3.0	0.9	1.8	1.1	2.2	2.7	3.6	2.4	1.7	2.2	1.9
Final Sales	1.7	3.0	1.3	3.5	1.2	1.6	2.4	3.0	2.6	2.2	2.0	1.8
Gross National Product	0.3	2.9	0.9	1.8	1.1	2.3	2.9	3.3	2.2	1.7	2.3	1.9
Total Consumption	3.0	2.3	1.4	4.2	2.5	2.2	2.5	3.2	2.6	2.7	2.2	1.9
Nonresidential Fixed Investment	5.0	4.7	6.0	4.1	2.5	0.6	-0.2	11.8	11.8	3.5	1.1	2.9
Producers Durable Equipment	3.7	5.0	3.8	2.1	0.9	-0.9	0.0	15.6	12.6	2.1	1.4	4.0
Office and Computing Equipment	47.1	24.1	10.0	7.0	6.5	9.0	11.1	26.2	28.0	12.0	13.8	14.7
Autos	0.6	29.9	9.8	13.5	12.7	2.7	10.2	11.7	-5.2	12.0	8.4	3.6
Other	-1.0	0.0	2.4	0.4	-0.9	-2.7	-2.5	14.5	12.4	-0.2	-1.0	2.5
Private Nonresidential Structures	9.0	3.6	12.3	9.7	6.6	4.5	-0.5	2.0	9.3	7.4	0.5	-0.1
Buildings	8.4	-0.4	19.1	13.4	8.0	4.2	-0.5	3.3	10.2	9.2	0.0	-0.7
Residential Fixed Investment	-13.9	10.8	7.3	2.9	-4.2	-3.9	-1.5	8.6	-1.9	1.0	-0.8	2.9
Exports	5.0	3.8	4.0	5.7	1.3	7.1	8.7	7.3	7.7	4.6	7.1	6.3
Imports	7.2	2.6	4.1	3.8	5.7	4.8	1.4	11.7	8.7	4.2	4.1	4.9
Federal Government	-2.5	1.6	-8.0	-6.5	-6.6	-3.3	-2.9	-4.9	-4.1	-4.9	-2.8	-3.7
State and Local Governments	1.8	2.0	0.9	2.3	2.7	1.9	1.9	2.1	2.0	2.0	2.2	2.2

Fixed 1987 Weighted GDP Forecast	**1995:2**	**1995:3**	**1995:4**	**1996:1**	**1996:2**	**1996:3**	**1996:4**	**1994**	**1995**	**1996**	**1997**	**1998**
Gross Domestic Product	1.3	4.2	1.2	2.2	1.2	2.5	3.2	4.1	3.2	2.1	2.7	2.4
Final Sales	2.6	4.1	1.8	4.0	1.3	1.8	2.9	3.5	3.4	2.7	2.5	2.4
Gross National Product	1.1	4.2	1.3	2.2	1.2	2.6	3.4	3.8	3.1	2.1	2.8	2.5
Total Consumption	3.4	2.9	2.0	4.6	2.7	2.4	2.7	3.5	2.9	3.1	2.5	2.2
Nonresidential Fixed Investment	11.3	8.3	7.1	5.1	3.6	2.6	2.5	13.7	14.5	5.4	4.2	6.2
Producers Durable Equipment	11.9	9.6	5.5	3.8	2.8	2.0	3.4	17.6	16.0	4.9	5.2	7.9
Office and Computing Equipment	51.5	28.1	11.6	8.5	8.2	10.7	12.9	27.3	30.9	14.0	15.7	16.7
Autos	0.4	30.2	6.0	13.4	11.5	2.5	9.8	12.0	-5.2	11.0	8.2	3.8
Other	-1.6	-0.2	2.5	0.5	-0.8	-2.6	-2.4	14.5	12.1	-0.2	-0.9	2.6
Private Nonresidential Structures	9.0	3.5	12.8	9.6	6.6	4.6	-0.5	1.9	9.2	7.5	0.5	-0.1
Buildings	8.6	-0.6	19.0	13.4	8.0	4.2	-0.5	3.4	10.2	9.1	-0.0	-0.7
Residential Fixed Investment	-13.7	10.9	7.3	2.9	-4.2	-3.9	-1.5	8.6	-1.8	1.0	-0.8	2.9
Exports	6.6	10.6	5.2	8.3	3.8	9.2	10.5	9.0	10.5	7.3	9.2	8.1
Imports	9.9	8.6	6.1	5.5	8.2	8.0	4.1	13.4	11.0	7.0	7.1	8.0
Federal Government	-2.9	4.9	-9.9	-6.7	-7.1	-3.8	-3.2	-5.3	-3.7	-5.2	-3.2	-4.3
State and Local Governments	2.0	2.1	0.9	2.4	2.8	1.9	1.9	2.1	2.1	2.0	2.3	2.3

Difference	**1995:2**	**1995:3**	**1995:4**	**1996:1**	**1996:2**	**1996:3**	**1996:4**	**1994**	**1995**	**1996**	**1997**	**1998**
Gross Domestic Product	-0.6	-1.2	-0.3	-0.4	-0.1	-0.2	-0.5	-0.5	-0.8	-0.4	-0.5	-0.5
Final Sales	-0.8	-1.1	-0.5	-0.5	-0.1	-0.2	-0.5	-0.4	-0.8	-0.4	-0.4	-0.6
Gross National Product	-0.8	-1.2	-0.4	-0.4	-0.1	-0.3	-0.5	-0.5	-0.9	-0.4	-0.5	-0.6
Total Consumption	-0.4	-0.6	-0.6	-0.3	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.3	-0.3
Nonresidential Fixed Investment	-5.6	-3.3	-1.0	-0.9	-1.1	-1.9	-2.6	-1.6	-2.3	-1.8	-3.0	-3.1
Producers Durable Equipment	-7.3	-4.2	-1.6	-1.7	-1.9	-2.9	-3.3	-1.7	-2.9	-2.6	-3.7	-3.6
Office and Computing Equipment	-2.9	-3.1	-1.5	-1.4	-1.5	-1.5	-1.6	-0.9	-2.2	-1.7	-1.6	-1.7
Autos	0.2	-0.2	3.6	0.1	1.0	0.1	0.3	-0.2	-0.0	0.9	0.2	-0.2
Other	0.6	0.2	-0.1	-0.1	-0.1	-0.2	-0.1	-0.0	0.3	-0.0	-0.1	-0.1
Private Nonresidential Structures	0.0	0.1	-0.4	0.1	-0.0	-0.1	0.0	0.1	0.1	-0.1	-0.0	0.0
Buildings	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	-0.0
Residential Fixed Investment	-0.2	-0.1	-0.0	0.0	0.0	0.0	-0.0	0.0	-0.1	-0.0	0.0	0.0
Exports	-1.5	-6.1	-1.2	-2.4	-2.4	-1.9	-1.6	-1.6	-2.6	-2.5	-1.9	-1.7
Imports	-2.5	-5.5	-1.9	-1.6	-2.3	-3.0	-2.6	-1.5	-2.1	-2.6	-2.8	-2.9
Federal Government	0.4	-3.1	2.2	0.2	0.6	0.6	0.3	0.5	-0.5	0.3	0.4	0.6
State and Local Governments	-0.2	-0.1	0.0	-0.1	-0.1	-0.0	-0.0	-0.0	-0.1	-0.0	-0.1	-0.1

Alternative Measures of U.S. Real Output

CHART 5.1

Real GDP

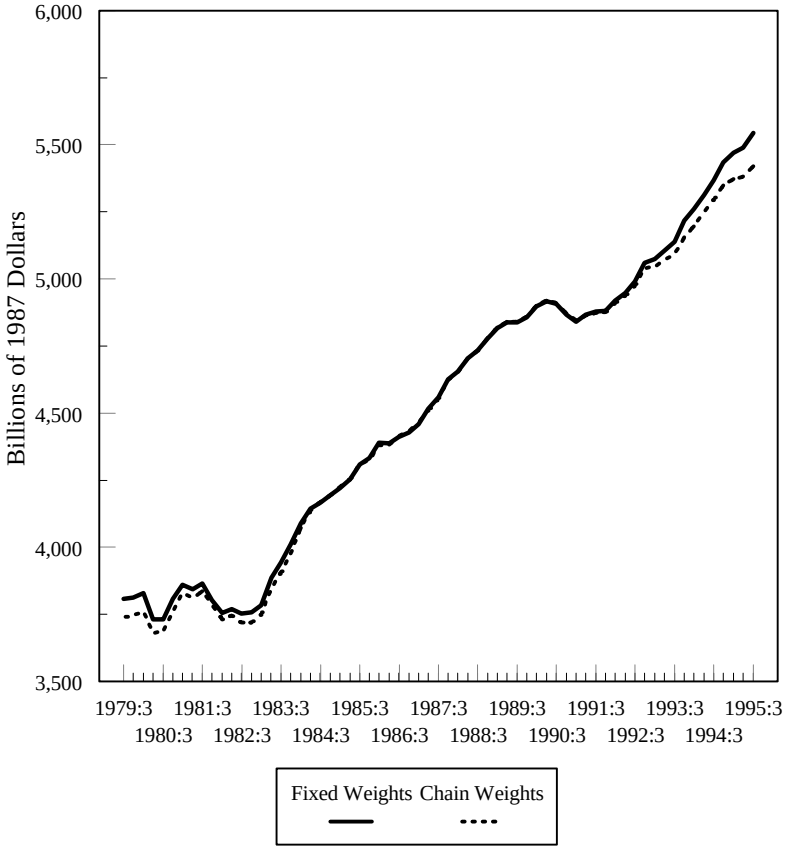
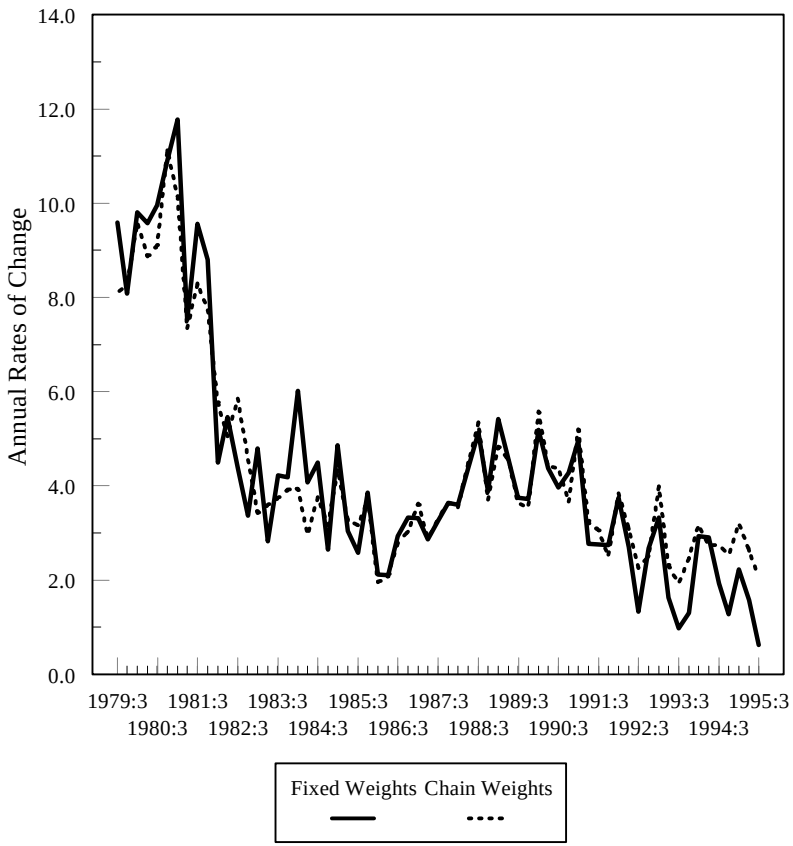


CHART 5.2

Inflation - GDP Deflator



Alternative Measures of Washington Real Personal Income

CHART 5.3

Real Personal Income

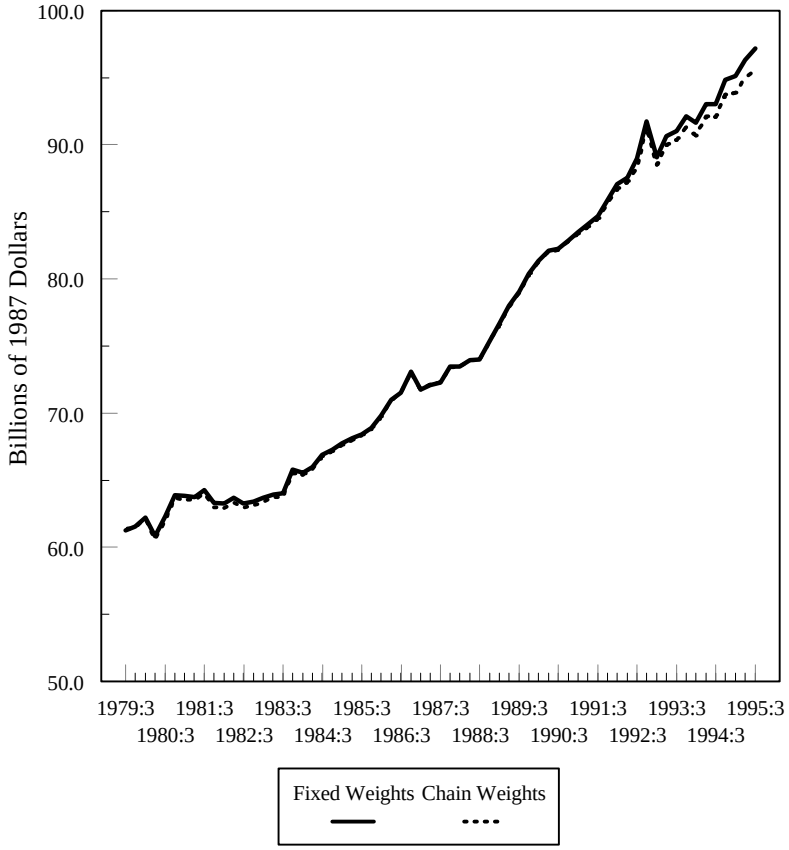
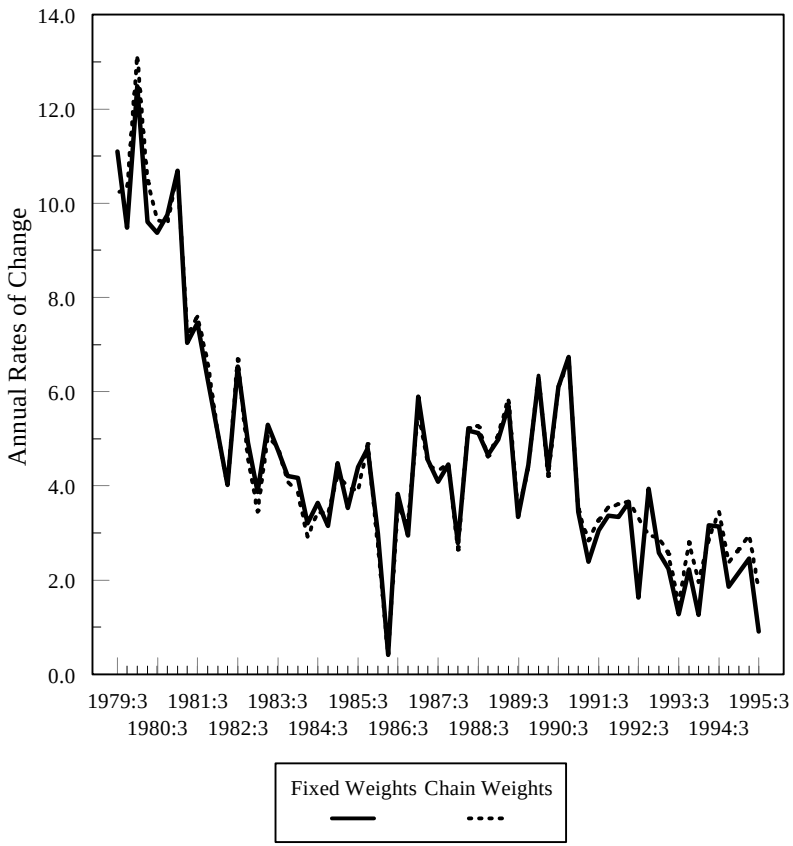


CHART 5.4

Inflation - Consumption Deflator



Alternative U.S. Real Output Forecasts

Chart 5.5

Real GDP Index

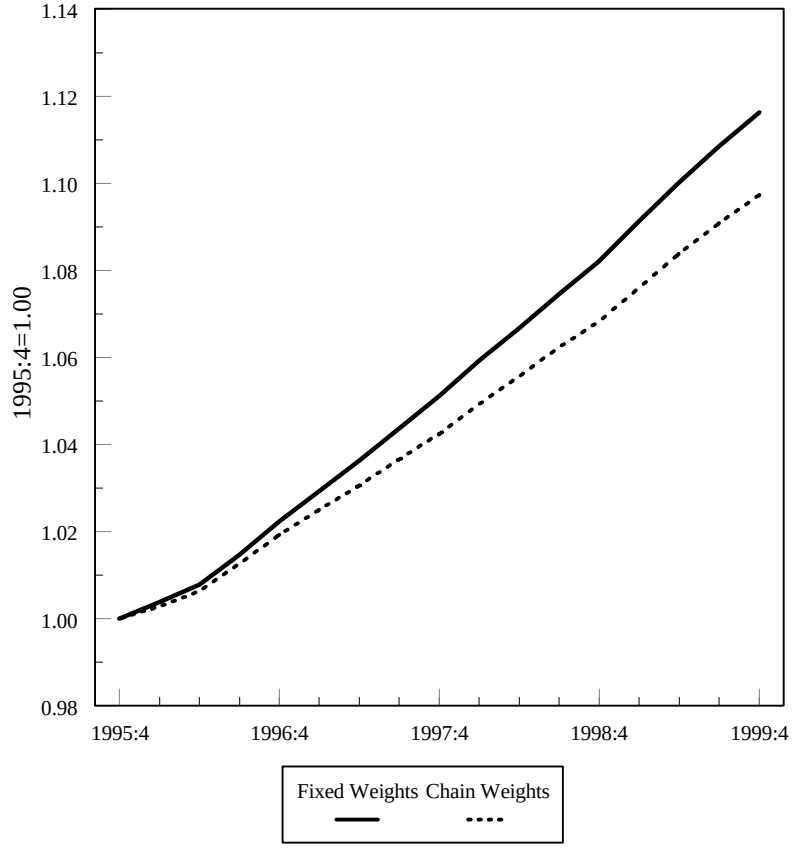
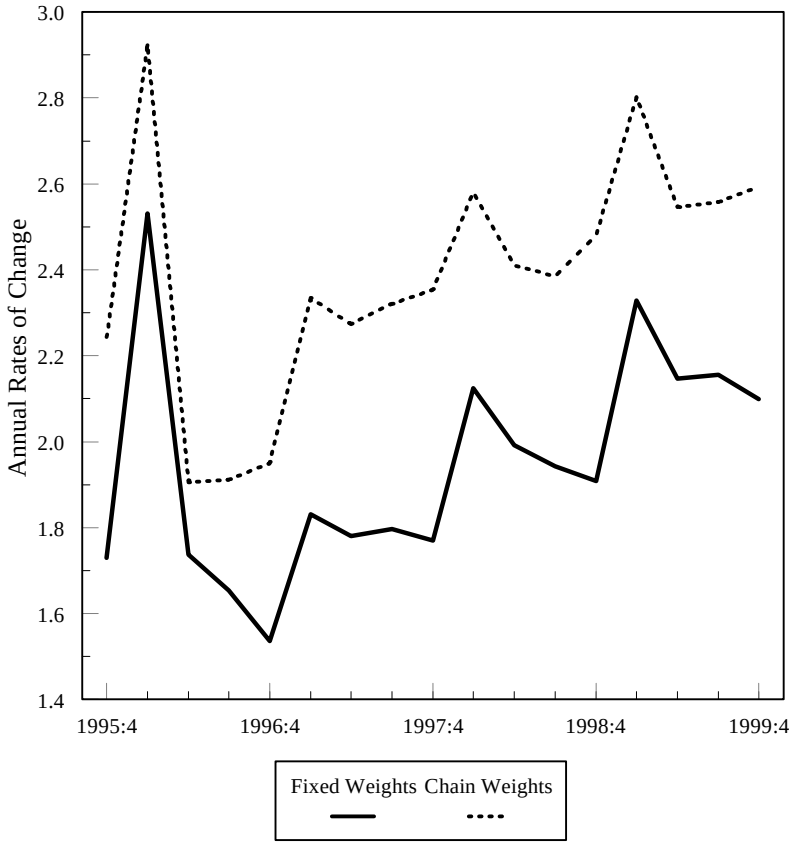


CHART 5.6

Inflation - GDP Deflator



Alternative Washington Real Personal Income Forecasts

CHART 5.7

Real Personal Income Index

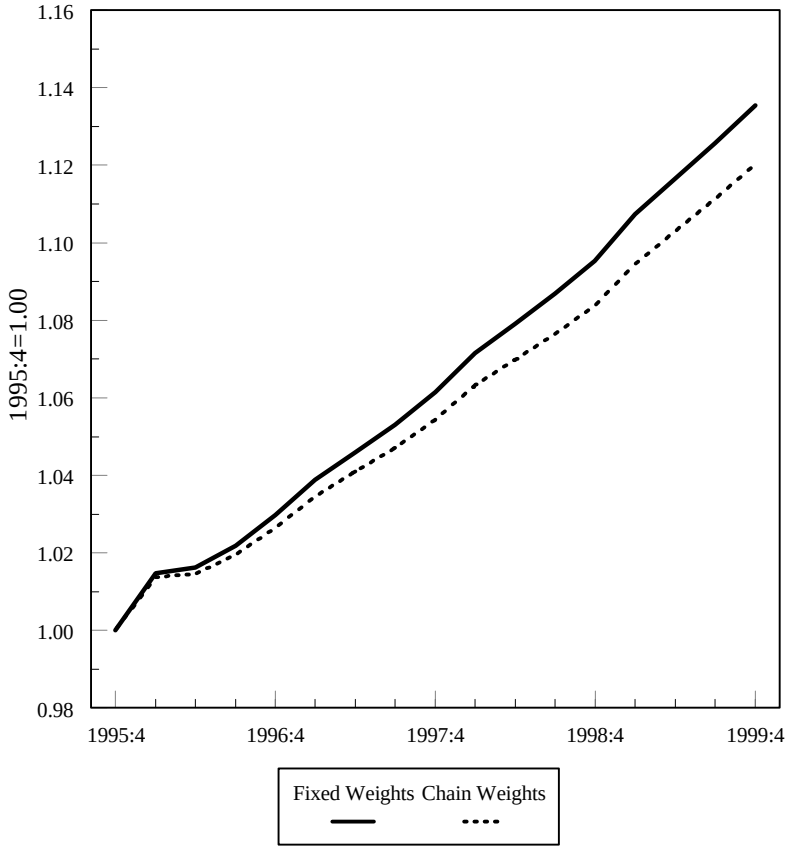


CHART 5.8

Inflation - Consumption Deflator

Detail Components of the Washington Economic Forecast

Calendar Years

TABLE 1.1

U.S. Economic Forecast Summary

Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Real National Income Accounts (Billions of 1987 Dollars)								
Real Gross Domestic Product	4979.3	5134.5	5344.0	5516.0	5632.7	5784.4	5923.7	6080.5
% Ch	2.3	3.1	4.1	3.2	2.1	2.7	2.4	2.6
Real Consumption	3349.5	3458.7	3579.6	3684.6	3797.5	3892.7	3978.9	4072.2
% Ch	2.8	3.3	3.5	2.9	3.1	2.5	2.2	2.3
Real Nonresidential Fixed Investment	525.9	591.6	672.4	769.7	811.5	845.7	898.1	944.2
% Ch	2.0	12.5	13.7	14.5	5.4	4.2	6.2	5.1
Real Residential Fixed Investment	197.0	213.1	231.4	227.2	229.5	227.5	234.1	244.1
% Ch	16.2	8.2	8.6	-1.8	1.0	-0.8	2.9	4.3
Real Personal Income	4174.0	4245.5	4409.3	4578.5	4688.2	4783.9	4881.1	4992.2
% Ch	2.8	1.7	3.9	3.8	2.4	2.0	2.0	2.3
Real Per Capita Income ($/Person)	16,319	16,428	16,891	17,370	17,620	17,816	18,017	18,267
% Ch	1.7	0.7	2.8	2.8	1.4	1.1	1.1	1.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.235	1.266	1.293	1.321	1.349	1.380	1.413	1.449
% Ch	3.1	2.5	2.1	2.2	2.1	2.3	2.4	2.6
U.S. Consumer Price Index (1982-84=1.0)	1.404	1.446	1.483	1.525	1.567	1.609	1.655	1.705
% Ch	3.0	3.0	2.6	2.8	2.7	2.7	2.9	3.0
Employment Cost Index (June 1989=1.0)	1.119	1.151	1.186	1.219	1.261	1.301	1.341	1.382
% Ch	2.9	2.9	3.0	2.8	3.4	3.2	3.1	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	6020.3	6343.3	6738.4	7072.6	7369.5	7701.5	8046.2	8444.0
% Ch	5.2	5.4	6.2	5.0	4.2	4.5	4.5	4.9
Personal Income	5154.4	5375.1	5701.7	6047.9	6323.8	6600.2	6895.4	7233.9
% Ch	6.1	4.3	6.1	6.1	4.6	4.4	4.5	4.9
Employment (Millions)								
U.S. Civilian Labor Force	127.0	128.0	131.0	132.4	133.8	135.2	136.7	138.5
Total U.S. Employment	117.6	119.3	123.1	125.0	126.2	127.4	128.9	130.6
Unemployment Rate (%)	7.39	6.81	6.08	5.61	5.69	5.74	5.75	5.70
Wage and Salary Employment	108.60	110.73	114.03	116.58	118.27	119.86	121.75	123.57
% Ch	0.3	2.0	3.0	2.2	1.4	1.3	1.6	1.5
Manufacturing	18.11	18.08	18.30	18.40	18.09	17.85	17.77	17.66
% Ch	-1.6	-0.2	1.3	0.5	-1.7	-1.3	-0.4	-0.6
Durable Manufacturing	10.28	10.22	10.43	10.59	10.43	10.22	10.12	10.05
% Ch	-2.8	-0.5	2.0	1.5	-1.5	-2.0	-1.0	-0.7
Nondurable Manufacturing	7.83	7.86	7.87	7.81	7.66	7.63	7.65	7.61
% Ch	-0.1	0.3	0.2	-0.8	-2.0	-0.3	0.3	-0.5
Nonmanufacturing	90.49	92.65	95.72	98.18	100.18	102.01	103.98	105.91
% Ch	0.7	2.4	3.3	2.6	2.0	1.8	1.9	1.9
Services	29.05	30.19	31.48	32.79	33.85	34.99	36.11	37.08
% Ch	2.5	3.9	4.3	4.1	3.3	3.4	3.2	2.7
Miscellaneous Indicators								
Auto Sales (Millions)	8.4	8.7	9.2	8.9	8.8	9.0	9.1	9.2
% Ch	-0.4	4.3	5.9	-4.1	-0.2	2.3	0.3	1.5
Housing Starts (Millions)	1.201	1.296	1.446	1.340	1.318	1.290	1.319	1.397
% Ch	19.1	7.9	11.5	-7.3	-1.6	-2.1	2.3	5.9
Federal Budget Surplus (Billions)	-282.7	-241.4	-159.1	-142.2	-149.5	-123.9	-99.9	-92.2
Net Exports (Billions)	-30.3	-65.3	-98.2	-116.3	-111.7	-103.9	-104.6	-104.2
3-Month Treasury Bill Rate (%)	3.43	3.00	4.25	5.49	4.73	4.68	4.64	4.64
30-Year U.S. Govt. Bond Rate (%)	7.67	6.60	7.37	6.88	5.78	5.76	5.59	5.41
Mortgage Rate (%)	8.40	7.33	8.37	7.95	6.89	6.93	6.84	6.67

TABLE 1.2

U.S. Economic Forecast Summary

Forecast 1996 to 1999

	1994:1	1994:2	1994:3	1994:4	1995:1	1995:2	1995:3	1995:4
Real National Income Accounts (Billions of 1987 Dollars)								
Real Gross Domestic Product	5261.1	5314.1	5367.0	5433.8	5470.1	5487.8	5544.6	5561.6
% Ch	3.3	4.1	4.0	5.1	2.7	1.3	4.2	1.2
Real Consumption	3546.3	3557.8	3584.7	3629.6	3643.9	3674.3	3701.1	3719.2
% Ch	4.7	1.3	3.1	5.1	1.6	3.4	2.9	2.0
Real Nonresidential Fixed Investment	643.6	657.9	680.0	708.2	743.6	763.7	779.0	792.4
% Ch	10.9	9.2	14.1	17.6	21.5	11.3	8.3	7.1
Real Residential Fixed Investment	229.9	233.8	230.2	231.5	229.5	221.2	227.0	231.0
% Ch	10.0	7.0	-6.0	2.3	-3.4	-13.7	10.9	7.3
Real Personal Income	4343.9	4390.9	4414.5	4487.8	4544.2	4551.6	4592.4	4625.6
% Ch	4.0	4.4	2.2	6.8	5.1	0.7	3.6	2.9
Real Per Capita Income ($/Person)	16,703	16,842	16,891	17,129	17,303	17,289	17,403	17,487
% Ch	2.9	3.4	1.2	5.8	4.1	-0.3	2.7	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.279	1.289	1.299	1.305	1.312	1.320	1.323	1.329
% Ch	1.3	3.2	3.1	1.9	2.2	2.5	0.9	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.468	1.477	1.490	1.498	1.510	1.522	1.530	1.539
% Ch	2.1	2.6	3.6	2.3	3.1	3.4	2.0	2.3
Employment Cost Index (June 1989=1.0)	1.173	1.183	1.191	1.198	1.206	1.215	1.223	1.234
% Ch	3.1	3.5	2.7	2.4	2.7	3.0	2.7	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	6574.7	6689.9	6791.7	6897.2	6977.4	7030.0	7113.2	7169.9
% Ch	6.1	7.2	6.2	6.4	4.7	3.0	4.8	3.2
Personal Income	5555.8	5659.9	5734.5	5856.6	5962.0	6008.1	6075.8	6145.9
% Ch	5.3	7.7	5.4	8.8	7.4	3.1	4.6	4.7
Employment (Millions)								
U.S. Civilian Labor Force	130.7	130.7	131.1	131.7	132.3	132.1	132.4	132.7
Total U.S. Employment	122.1	122.6	123.2	124.4	125.0	124.6	125.0	125.3
Unemployment Rate (%)	6.60	6.20	5.97	5.57	5.53	5.70	5.63	5.58
Wage and Salary Employment	112.65	113.65	114.48	115.33	116.08	116.37	116.77	117.12
% Ch	3.0	3.6	3.0	3.0	2.6	1.0	1.4	1.2
Manufacturing	18.18	18.27	18.33	18.44	18.52	18.46	18.34	18.28
% Ch	1.9	1.9	1.5	2.3	1.8	-1.1	-2.6	-1.5
Durable Manufacturing	10.33	10.40	10.46	10.55	10.62	10.61	10.58	10.55
% Ch	3.1	2.8	2.3	3.5	2.7	-0.1	-1.4	-0.9
Nondurable Manufacturing	7.85	7.87	7.88	7.89	7.90	7.85	7.77	7.72
% Ch	0.3	0.7	0.4	0.7	0.5	-2.5	-4.2	-2.2
Nonmanufacturing	94.47	95.38	96.15	96.89	97.56	97.91	98.42	98.85
% Ch	3.3	3.9	3.3	3.1	2.8	1.4	2.1	1.7
Services	30.91	31.32	31.69	32.02	32.39	32.65	32.95	33.16
% Ch	3.7	5.4	4.8	4.3	4.7	3.4	3.7	2.5
Miscellaneous Indicators								
Auto Sales (Millions)	9.4	9.2	9.1	9.2	8.8	8.7	9.1	8.7
% Ch	23.1	-11.8	-2.6	7.1	-16.5	-5.1	20.8	-17.4
Housing Starts (Millions)	1.361	1.441	1.471	1.511	1.308	1.283	1.405	1.365
% Ch	-27.2	25.6	8.8	11.1	-43.9	-7.3	43.7	-10.8
Federal Budget Surplus (Billions)	-176.2	-145.1	-154.0	-161.1	-148.6	-129.6	-145.2	-145.5
Net Exports (Billions)	-86.7	-97.6	-109.6	-98.9	-111.1	-124.7	-118.3	-111.0
3-Month Treasury Bill Rate (%)	3.24	3.99	4.48	5.28	5.74	5.60	5.37	5.26
30-Year U.S. Govt. Bond Rate (%)	6.56	7.36	7.59	7.96	7.64	6.96	6.71	6.23
Mortgage Rate (%)	7.30	8.44	8.65	9.10	8.81	7.95	7.70	7.34

TABLE 1.2

U.S. Economic Forecast Summary

Forecast 1996 to 1999

	1996:1	1996:2	1996:3	1996:4	1997:1	1997:2	1997:3	1997:4
Real National Income Accounts (Billions of 1987 Dollars)								
Real Gross Domestic Product	5591.8	5608.8	5642.9	5687.4	5727.9	5768.0	5803.6	5838.2
% Ch	2.2	1.2	2.5	3.2	2.9	2.8	2.5	2.4
Real Consumption	3760.9	3786.2	3808.6	3834.2	3861.5	3883.0	3902.7	3923.4
% Ch	4.6	2.7	2.4	2.7	2.9	2.2	2.0	2.1
Real Nonresidential Fixed Investment	802.3	809.5	814.6	819.7	827.5	837.3	851.3	866.6
% Ch	5.1	3.6	2.6	2.5	3.9	4.8	6.9	7.4
Real Residential Fixed Investment	232.7	230.2	227.9	227.1	226.5	226.6	227.4	229.7
% Ch	2.9	-4.2	-3.9	-1.5	-1.0	0.2	1.4	4.0
Real Personal Income	4665.5	4675.7	4689.7	4722.1	4754.5	4774.3	4790.2	4816.5
% Ch	3.5	0.9	1.2	2.8	2.8	1.7	1.3	2.2
Real Per Capita Income ($/Person)	17,596	17,593	17,606	17,686	17,767	17,801	17,820	17,877
% Ch	2.5	-0.1	0.3	1.8	1.8	0.8	0.4	1.3
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.337	1.345	1.353	1.360	1.368	1.376	1.384	1.391
% Ch	2.4	2.6	2.2	2.2	2.2	2.3	2.3	2.3
U.S. Consumer Price Index (1982-84=1.0)	1.551	1.562	1.572	1.582	1.593	1.603	1.614	1.625
% Ch	3.2	3.0	2.6	2.5	2.6	2.7	2.7	2.8
Employment Cost Index (June 1989=1.0)	1.245	1.256	1.266	1.276	1.286	1.296	1.306	1.316
% Ch	3.6	3.6	3.4	3.3	3.1	3.2	3.0	3.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	7269.8	7323.8	7399.6	7484.8	7573.9	7661.4	7744.6	7826.1
% Ch	5.7	3.0	4.2	4.7	4.8	4.7	4.4	4.3
Personal Income	6236.3	6290.8	6344.5	6423.4	6503.5	6567.9	6627.3	6702.1
% Ch	6.0	3.5	3.5	5.1	5.1	4.0	3.7	4.6
Employment (Millions)								
U.S. Civilian Labor Force	133.2	133.6	134.0	134.3	134.7	135.0	135.4	135.7
Total U.S. Employment	125.8	126.0	126.3	126.6	126.9	127.2	127.6	128.0
Unemployment Rate (%)	5.59	5.69	5.72	5.75	5.75	5.75	5.73	5.72
Wage and Salary Employment	117.65	118.10	118.46	118.86	119.25	119.63	120.04	120.51
% Ch	1.8	1.6	1.2	1.3	1.3	1.3	1.4	1.6
Manufacturing	18.20	18.14	18.05	17.96	17.90	17.84	17.83	17.83
% Ch	-1.6	-1.3	-2.0	-1.9	-1.5	-1.3	-0.1	0.0
Durable Manufacturing	10.53	10.48	10.39	10.32	10.27	10.22	10.20	10.19
% Ch	-0.6	-2.0	-3.3	-2.7	-2.0	-1.9	-0.6	-0.6
Nondurable Manufacturing	7.67	7.66	7.66	7.64	7.63	7.62	7.63	7.65
% Ch	-3.0	-0.3	-0.3	-0.7	-0.7	-0.5	0.6	0.9
Nonmanufacturing	99.44	99.96	100.41	100.89	101.35	101.79	102.21	102.68
% Ch	2.4	2.1	1.8	1.9	1.8	1.8	1.6	1.9
Services	33.46	33.71	33.98	34.27	34.56	34.86	35.13	35.41
% Ch	3.6	3.1	3.2	3.4	3.4	3.5	3.2	3.3
Miscellaneous Indicators								
Auto Sales (Millions)	8.8	8.8	8.8	8.9	9.0	9.0	9.1	9.0
% Ch	3.2	2.2	-0.5	3.2	5.6	0.7	1.1	-0.4
Housing Starts (Millions)	1.361	1.330	1.298	1.285	1.288	1.287	1.289	1.298
% Ch	-1.2	-8.9	-9.2	-4.0	0.9	-0.4	0.7	2.9
Federal Budget Surplus (Billions)	-160.9	-149.2	-142.3	-145.7	-138.0	-128.8	-113.5	-115.3
Net Exports (Billions)	-102.3	-116.2	-117.9	-110.4	-106.5	-103.1	-104.2	-101.7
3-Month Treasury Bill Rate (%)	4.93	4.76	4.59	4.64	4.68	4.69	4.69	4.66
30-Year U.S. Govt. Bond Rate (%)	5.92	5.79	5.69	5.73	5.75	5.79	5.78	5.74
Mortgage Rate (%)	7.03	6.89	6.78	6.87	6.88	6.95	6.94	6.95

TABLE 1.2

U.S. Economic Forecast Summary

Forecast 1996 to 1999

	1998:1	1998:2	1998:3	1998:4	1999:1	1999:2	1999:3	1999:4
Real National Income Accounts (Billions of 1987 Dollars)								
Real Gross Domestic Product	5873.3	5907.0	5941.0	5973.5	6018.6	6062.3	6102.0	6139.1
% Ch	2.4	2.3	2.3	2.2	3.1	2.9	2.6	2.5
Real Consumption	3949.8	3970.0	3988.1	4007.6	4037.7	4062.2	4083.1	4105.6
% Ch	2.7	2.1	1.8	2.0	3.0	2.4	2.1	2.2
Real Nonresidential Fixed Investment	879.3	892.1	904.5	916.4	925.5	937.0	950.2	964.2
% Ch	6.0	6.0	5.7	5.3	4.1	5.1	5.7	6.0
Real Residential Fixed Investment	232.0	233.5	234.7	236.1	239.2	242.9	245.9	248.5
% Ch	4.2	2.5	2.1	2.3	5.4	6.5	5.0	4.3
Real Personal Income	4851.7	4871.4	4887.7	4913.5	4954.3	4979.4	5001.7	5033.2
% Ch	3.0	1.6	1.3	2.1	3.4	2.0	1.8	2.5
Real Per Capita Income ($/Person)	17,968	18,001	18,022	18,077	18,188	18,240	18,283	18,359
% Ch	2.0	0.7	0.5	1.2	2.5	1.2	0.9	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.399	1.408	1.417	1.426	1.434	1.444	1.454	1.464
% Ch	2.3	2.6	2.5	2.4	2.5	2.7	2.7	2.7
U.S. Consumer Price Index (1982-84=1.0)	1.636	1.649	1.661	1.673	1.685	1.698	1.711	1.724
% Ch	2.9	3.0	3.0	3.0	2.9	3.1	3.1	3.1
Employment Cost Index (June 1989=1.0)	1.326	1.336	1.346	1.356	1.366	1.377	1.387	1.398
% Ch	3.1	3.1	3.0	3.0	3.1	3.1	3.1	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	7917.2	8003.1	8090.3	8174.2	8286.7	8394.7	8498.0	8596.5
% Ch	4.7	4.4	4.4	4.2	5.6	5.3	5.0	4.7
Personal Income	6789.9	6860.7	6926.2	7004.9	7106.3	7190.8	7271.7	7366.6
% Ch	5.3	4.2	3.9	4.6	5.9	4.8	4.6	5.3
Employment (Millions)								
U.S. Civilian Labor Force	136.1	136.5	136.9	137.3	137.7	138.2	138.7	139.2
Total U.S. Employment	128.3	128.7	129.0	129.4	129.8	130.3	130.8	131.3
Unemployment Rate (%)	5.73	5.74	5.75	5.77	5.74	5.71	5.69	5.67
Wage and Salary Employment	121.03	121.52	122.00	122.46	122.87	123.33	123.81	124.28
% Ch	1.7	1.6	1.6	1.5	1.3	1.5	1.6	1.5
Manufacturing	17.82	17.80	17.76	17.71	17.68	17.66	17.65	17.65
% Ch	-0.3	-0.6	-0.7	-1.3	-0.7	-0.4	-0.1	-0.1
Durable Manufacturing	10.16	10.14	10.11	10.06	10.05	10.04	10.05	10.05
% Ch	-0.9	-1.1	-1.2	-1.7	-0.6	-0.2	0.1	-0.0
Nondurable Manufacturing	7.66	7.66	7.66	7.64	7.63	7.62	7.61	7.60
% Ch	0.5	0.2	-0.1	-0.8	-0.7	-0.6	-0.4	-0.3
Nonmanufacturing	103.21	103.72	104.24	104.76	105.19	105.67	106.15	106.63
% Ch	2.1	2.0	2.0	2.0	1.7	1.8	1.9	1.8
Services	35.70	35.98	36.25	36.52	36.73	36.96	37.19	37.44
% Ch	3.3	3.1	3.1	3.0	2.4	2.5	2.6	2.7
Miscellaneous Indicators								
Auto Sales (Millions)	9.1	9.1	9.1	9.1	9.1	9.2	9.2	9.3
% Ch	1.3	0.3	-0.8	-0.6	3.5	2.8	1.9	0.9
Housing Starts (Millions)	1.315	1.317	1.315	1.330	1.370	1.399	1.404	1.413
% Ch	5.5	0.6	-0.8	4.8	12.7	8.7	1.3	2.4
Federal Budget Surplus (Billions)	-114.7	-102.4	-89.3	-93.4	-105.4	-96.1	-83.7	-83.6
Net Exports (Billions)	-104.2	-105.9	-106.3	-101.7	-102.1	-104.3	-107.4	-102.8
3-Month Treasury Bill Rate (%)	4.64	4.64	4.64	4.64	4.64	4.64	4.64	4.64
30-Year U.S. Govt. Bond Rate (%)	5.63	5.64	5.56	5.53	5.44	5.42	5.40	5.39
Mortgage Rate (%)	6.89	6.84	6.86	6.78	6.72	6.67	6.65	6.64

TABLE 1.3

Washington Economic Forecast Summary

Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Real Income (Billions of 1987 Dollars)								
Real Personal Income	88.832	90.707	93.143	96.615	99.686	102.495	105.634	109.241
% Ch	5.1	2.1	2.7	3.7	3.2	2.8	3.1	3.4
Real Wage and Salary Disb.	50.960	51.053	52.346	54.092	56.078	57.784	59.675	61.750
% Ch	5.3	0.2	2.5	3.3	3.7	3.0	3.3	3.5
Real Nonwage Income	37.872	39.654	40.797	42.523	43.608	44.711	45.959	47.491
% Ch	4.9	4.7	2.9	4.2	2.6	2.5	2.8	3.3
Real Per Capita Income ($/Person)	17,203	17,192	17,344	17,697	18,002	18,209	18,416	18,677
% Ch	2.7	-0.1	0.9	2.0	1.7	1.2	1.1	1.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.235	1.266	1.293	1.321	1.349	1.380	1.413	1.449
% Ch	3.1	2.5	2.1	2.2	2.1	2.3	2.4	2.6
Seattle Cons. Price Index (1982-84=1.0)	1.390	1.429	1.478	1.520	1.559	1.598	1.646	1.701
% Ch	3.7	2.8	3.4	2.9	2.5	2.5	3.0	3.3
Avg. Hourly Earnings-Mfg. ($/Hour)	13.78	14.01	14.40	14.14	14.48	14.72	14.99	15.30
% Ch	3.3	1.7	2.8	-1.8	2.4	1.7	1.9	2.1
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	108.631	113.543	119.568	126.760	133.448	140.416	148.199	157.233
% Ch	8.3	4.5	5.3	6.0	5.3	5.2	5.5	6.1
Personal Income	109.702	114.842	120.444	127.626	134.463	141.412	149.231	158.299
% Ch	8.4	4.7	4.9	6.0	5.4	5.2	5.5	6.1
Disposable Personal Income	95.898	100.177	104.768	110.696	117.036	123.157	129.978	137.852
% Ch	8.7	4.5	4.6	5.7	5.7	5.2	5.5	6.1
Per Capita Income ($/Person)	21,244	21,766	22,427	23,377	24,281	25,123	26,015	27,063
% Ch	5.9	2.5	3.0	4.2	3.9	3.5	3.6	4.0
Employment (Thousands)								
Washington Civilian Labor Force	2643.6	2698.8	2707.4	2797.2	2840.9	2901.5	2972.8	3045.0
Total Washington Employment	2444.8	2495.9	2534.0	2623.4	2661.7	2727.9	2800.8	2872.4
Unemployment Rate (%)	7.52	7.52	6.40	6.21	6.31	5.98	5.79	5.67
Wage and Salary Employment	2221.9	2251.7	2303.7	2351.8	2403.6	2466.9	2536.6	2605.1
% Ch	2.0	1.3	2.3	2.1	2.2	2.6	2.8	2.7
Manufacturing	347.2	340.8	336.9	332.1	335.1	341.6	349.1	356.2
% Ch	-1.3	-1.8	-1.1	-1.4	0.9	1.9	2.2	2.0
Durable Manufacturing	245.6	237.4	230.6	223.9	225.9	230.6	235.9	240.9
% Ch	-2.4	-3.4	-2.9	-2.9	0.9	2.1	2.3	2.1
Aerospace	111.9	102.7	91.8	80.2	79.9	83.0	86.0	89.0
% Ch	-3.2	-8.2	-10.6	-12.7	-0.3	3.9	3.6	3.5
Nondurable Manufacturing	101.6	103.4	106.3	108.2	109.2	111.0	113.3	115.2
% Ch	1.4	1.8	2.8	1.8	0.9	1.7	2.1	1.7
Nonmanufacturing	1874.7	1910.9	1966.8	2019.7	2068.5	2125.3	2187.5	2248.9
% Ch	2.7	1.9	2.9	2.7	2.4	2.7	2.9	2.8
Construction	119.2	119.1	123.0	122.8	123.4	124.8	126.2	127.6
% Ch	0.9	-0.1	3.3	-0.1	0.5	1.1	1.2	1.1
Services	557.8	576.7	598.0	623.7	644.7	670.9	698.9	724.4
% Ch	4.1	3.4	3.7	4.3	3.4	4.1	4.2	3.6
Housing Indicators								
Housing Units Authorized (Thousands)	39.682	41.342	44.034	38.848	39.348	41.581	44.910	46.808
% Ch	20.2	4.2	6.5	-11.8	1.3	5.7	8.0	4.2
Mortgage Rate (%)	8.40	7.33	8.37	7.95	6.89	6.93	6.84	6.67

TABLE 1.4

Washington Economic Forecast Summary

Forecast 1996 to 1999

	1994:1	1994:2	1994:3	1994:4	1995:1	1995:2	1995:3	1995:4
Real Income (Billions of 1987 Dollars)								
Real Personal Income	91.658	93.043	93.025	94.847	95.125	96.342	97.195	97.798
% Ch	-2.0	6.2	-0.1	8.1	1.2	5.2	3.6	2.5
Real Wage and Salary Disb.	51.621	52.476	52.112	53.174	53.190	54.046	54.431	54.702
% Ch	1.4	6.8	-2.8	8.4	0.1	6.6	2.9	2.0
Real Nonwage Income	40.038	40.566	40.913	41.673	41.935	42.295	42.764	43.097
% Ch	-6.1	5.4	3.5	7.6	2.5	3.5	4.5	3.1
Real Per Capita Income ($/Person)	17,182	17,364	17,284	17,545	17,519	17,679	17,772	17,819
% Ch	-3.7	4.3	-1.8	6.2	-0.6	3.7	2.1	1.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.279	1.289	1.299	1.305	1.312	1.320	1.323	1.329
% Ch	1.3	3.2	3.1	1.9	2.2	2.5	0.9	1.7
Seattle Cons. Price Index (1982-84=1.0)	1.458	1.470	1.486	1.498	1.507	1.517	1.525	1.533
% Ch	3.1	3.6	4.4	3.1	2.5	2.8	2.0	2.1
Avg. Hourly Earnings-Mfg. ($/Hour)	14.40	14.35	14.36	14.51	14.47	14.46	14.32	13.31
% Ch	7.2	-1.5	0.4	4.1	-1.1	-0.2	-4.0	-25.3
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	116.370	119.085	120.144	122.673	124.001	126.384	127.769	128.888
% Ch	2.6	9.7	3.6	8.7	4.4	7.9	4.5	3.5
Personal Income	117.231	119.932	120.839	123.775	124.804	127.171	128.589	129.941
% Ch	-0.7	9.5	3.1	10.1	3.4	7.8	4.5	4.3
Disposable Personal Income	101.975	104.116	105.157	107.825	108.526	110.087	111.510	112.662
% Ch	-1.3	8.7	4.1	10.5	2.6	5.9	5.3	4.2
Per Capita Income ($/Person)	21,976	22,383	22,452	22,896	22,985	23,337	23,513	23,675
% Ch	-2.5	7.6	1.2	8.1	1.6	6.3	3.1	2.8
Employment (Thousands)								
Washington Civilian Labor Force	2718.9	2697.0	2696.9	2716.7	2769.8	2809.8	2806.6	2802.8
Total Washington Employment	2535.7	2517.7	2530.2	2552.3	2606.0	2635.9	2624.8	2627.1
Unemployment Rate (%)	6.74	6.65	6.18	6.05	5.92	6.19	6.48	6.27
Wage and Salary Employment	2283.8	2293.8	2309.5	2327.8	2350.3	2348.4	2355.6	2352.8
% Ch	1.9	1.8	2.8	3.2	3.9	-0.3	1.2	-0.5
Manufacturing	336.7	336.2	336.4	338.3	341.1	337.6	332.3	317.4
% Ch	-1.4	-0.7	0.3	2.3	3.3	-4.0	-6.2	-16.8
Durable Manufacturing	231.4	230.0	229.7	231.1	232.6	229.9	224.3	208.7
% Ch	-3.6	-2.3	-0.5	2.5	2.6	-4.6	-9.4	-25.1
Aerospace	94.3	92.3	90.7	90.1	89.4	87.3	80.1	63.9
% Ch	-14.3	-8.0	-7.0	-2.3	-3.3	-9.0	-28.9	-59.7
Nondurable Manufacturing	105.4	106.1	106.7	107.2	108.5	107.7	108.0	108.7
% Ch	3.5	2.8	2.1	1.9	5.0	-2.8	1.0	2.7
Nonmanufacturing	1947.0	1957.6	1973.1	1989.5	2009.3	2010.7	2023.3	2035.5
% Ch	2.4	2.2	3.2	3.4	4.0	0.3	2.5	2.4
Construction	122.9	123.2	123.3	122.7	123.2	122.8	122.3	123.0
% Ch	-0.1	1.0	0.3	-1.7	1.4	-1.1	-1.8	2.6
Services	587.7	593.5	603.2	607.8	617.6	618.1	627.3	631.8
% Ch	2.3	3.9	6.7	3.1	6.6	0.3	6.1	2.9
Housing Indicators								
Housing Units Authorized (Thousands)	44.099	43.542	45.484	43.011	37.932	41.787	34.544	41.129
% Ch	-28.4	-5.0	19.1	-20.0	-39.5	47.3	-53.3	101.0
Mortgage Rate (%)	7.30	8.44	8.65	9.10	8.81	7.95	7.70	7.34

TABLE 1.4

Washington Economic Forecast Summary

Forecast 1996 to 1999

	1996:1	1996:2	1996:3	1996:4	1997:1	1997:2	1997:3	1997:4
Real Income (Billions of 1987 Dollars)								
Real Personal Income	99.155	99.234	99.789	100.567	101.451	102.136	102.807	103.585
% Ch	5.7	0.3	2.3	3.2	3.6	2.7	2.7	3.1
Real Wage and Salary Disb.	55.811	55.737	56.163	56.603	57.090	57.562	58.007	58.478
% Ch	8.4	-0.5	3.1	3.2	3.5	3.3	3.1	3.3
Real Nonwage Income	43.344	43.497	43.626	43.964	44.362	44.575	44.799	45.107
% Ch	2.3	1.4	1.2	3.1	3.7	1.9	2.0	2.8
Real Per Capita Income ($/Person)	18,002	17,955	17,990	18,060	18,145	18,188	18,226	18,279
% Ch	4.2	-1.0	0.8	1.6	1.9	1.0	0.8	1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.337	1.345	1.353	1.360	1.368	1.376	1.384	1.391
% Ch	2.4	2.6	2.2	2.2	2.2	2.3	2.3	2.3
Seattle Cons. Price Index (1982-84=1.0)	1.544	1.555	1.564	1.573	1.583	1.593	1.604	1.615
% Ch	3.0	2.8	2.3	2.3	2.5	2.6	2.7	2.8
Avg. Hourly Earnings-Mfg. ($/Hour)	14.39	14.45	14.51	14.57	14.63	14.69	14.75	14.81
% Ch	36.7	1.8	1.6	1.6	1.6	1.7	1.7	1.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	131.478	132.471	134.064	135.780	137.758	139.495	141.293	143.119
% Ch	8.3	3.1	4.9	5.2	6.0	5.1	5.3	5.3
Personal Income	132.540	133.513	135.000	136.801	138.771	140.506	142.234	144.137
% Ch	8.2	3.0	4.5	5.4	5.9	5.1	5.0	5.5
Disposable Personal Income	115.296	116.132	117.599	119.118	120.916	122.386	123.860	125.468
% Ch	9.7	2.9	5.1	5.3	6.2	4.9	4.9	5.3
Per Capita Income ($/Person)	24,063	24,157	24,338	24,567	24,819	25,021	25,215	25,435
% Ch	6.7	1.6	3.0	3.8	4.2	3.3	3.1	3.5
Employment (Thousands)								
Washington Civilian Labor Force	2821.5	2833.5	2847.4	2861.4	2876.7	2892.9	2909.4	2926.8
Total Washington Employment	2639.5	2652.9	2669.3	2685.0	2702.1	2719.2	2736.2	2754.0
Unemployment Rate (%)	6.45	6.37	6.25	6.17	6.07	6.01	5.96	5.90
Wage and Salary Employment	2382.4	2395.2	2410.9	2425.8	2442.3	2458.6	2474.8	2491.9
% Ch	5.1	2.2	2.7	2.5	2.7	2.7	2.7	2.8
Manufacturing	333.6	333.9	335.6	337.2	338.8	340.5	342.5	344.5
% Ch	22.0	0.4	2.0	2.0	1.9	2.0	2.4	2.4
Durable Manufacturing	224.9	224.9	226.2	227.5	228.6	229.8	231.2	232.6
% Ch	35.0	-0.0	2.3	2.2	2.0	2.2	2.6	2.4
Aerospace	79.2	79.2	80.2	81.2	81.9	82.7	83.4	84.2
% Ch	135.9	0.0	5.1	5.1	3.7	3.7	3.7	3.6
Nondurable Manufacturing	108.6	109.0	109.3	109.7	110.2	110.7	111.2	111.9
% Ch	-0.3	1.2	1.4	1.5	1.7	1.7	2.1	2.3
Nonmanufacturing	2048.8	2061.3	2075.4	2088.6	2103.5	2118.1	2132.3	2147.4
% Ch	2.7	2.5	2.8	2.6	2.9	2.8	2.7	2.9
Construction	122.9	122.7	123.9	124.0	124.5	124.6	124.8	125.2
% Ch	-0.5	-0.5	3.8	0.4	1.5	0.4	0.6	1.1
Services	636.2	641.6	647.4	653.5	660.3	667.6	674.4	681.3
% Ch	2.8	3.5	3.7	3.8	4.2	4.5	4.1	4.2
Housing Indicators								
Housing Units Authorized (Thousands)	37.595	39.807	39.981	40.009	40.411	41.023	42.008	42.883
% Ch	-30.2	25.7	1.8	0.3	4.1	6.2	10.0	8.6
Mortgage Rate (%)	7.03	6.89	6.78	6.87	6.88	6.95	6.94	6.95

TABLE 1.4

Washington Economic Forecast Summary

Forecast 1996 to 1999

	1998:1	1998:2	1998:3	1998:4	1999:1	1999:2	1999:3	1999:4
Real Income (Billions of 1987 Dollars)								
Real Personal Income	104.549	105.256	105.963	106.769	107.929	108.798	109.655	110.581
% Ch	3.8	2.7	2.7	3.1	4.4	3.3	3.2	3.4
Real Wage and Salary Disb.	58.993	59.437	59.899	60.370	60.978	61.492	62.014	62.515
% Ch	3.6	3.0	3.1	3.2	4.1	3.4	3.4	3.3
Real Nonwage Income	45.555	45.819	46.064	46.399	46.951	47.306	47.640	48.065
% Ch	4.0	2.3	2.2	2.9	4.8	3.1	2.9	3.6
Real Per Capita Income ($/Person)	18,361	18,396	18,429	18,478	18,588	18,647	18,703	18,771
% Ch	1.8	0.8	0.7	1.1	2.4	1.3	1.2	1.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (1987=1.0)	1.399	1.408	1.417	1.426	1.434	1.444	1.454	1.464
% Ch	2.3	2.6	2.5	2.4	2.5	2.7	2.7	2.7
Seattle Cons. Price Index (1982-84=1.0)	1.627	1.640	1.653	1.666	1.679	1.694	1.708	1.722
% Ch	3.0	3.2	3.2	3.3	3.2	3.4	3.4	3.4
Avg. Hourly Earnings-Mfg. ($/Hour)	14.88	14.96	15.03	15.11	15.18	15.26	15.34	15.42
% Ch	1.9	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	145.278	147.204	149.172	151.141	153.738	156.045	158.403	160.743
% Ch	6.2	5.4	5.5	5.4	7.1	6.1	6.2	6.0
Personal Income	146.314	148.240	150.156	152.214	154.811	157.117	159.420	161.847
% Ch	6.2	5.4	5.3	5.6	7.0	6.1	6.0	6.2
Disposable Personal Income	127.502	129.135	130.770	132.503	134.895	136.855	138.809	140.849
% Ch	6.6	5.2	5.2	5.4	7.4	5.9	5.8	6.0
Per Capita Income ($/Person)	25,696	25,908	26,114	26,343	26,662	26,928	27,191	27,473
% Ch	4.2	3.3	3.2	3.5	4.9	4.1	4.0	4.2
Employment (Thousands)								
Washington Civilian Labor Force	2945.0	2963.4	2982.2	3000.8	3018.8	3036.3	3053.9	3071.0
Total Washington Employment	2773.0	2791.4	2810.3	2828.6	2845.9	2863.6	2881.5	2898.5
Unemployment Rate (%)	5.84	5.80	5.77	5.74	5.73	5.69	5.64	5.62
Wage and Salary Employment	2510.0	2527.7	2545.7	2563.2	2579.8	2596.6	2613.8	2630.1
% Ch	2.9	2.8	2.9	2.8	2.6	2.6	2.7	2.5
Manufacturing	346.5	348.3	350.1	351.7	353.5	355.3	357.1	358.8
% Ch	2.3	2.1	2.1	1.9	2.0	2.0	2.1	2.0
Durable Manufacturing	234.0	235.2	236.5	237.7	239.0	240.3	241.6	242.9
% Ch	2.3	2.2	2.3	2.1	2.1	2.2	2.2	2.1
Aerospace	84.9	85.7	86.4	87.2	87.9	88.7	89.4	90.2
% Ch	3.6	3.6	3.5	3.5	3.5	3.5	3.4	3.4
Nondurable Manufacturing	112.5	113.0	113.5	114.0	114.5	115.0	115.5	116.0
% Ch	2.3	1.9	1.8	1.6	1.9	1.6	1.7	1.7
Nonmanufacturing	2163.5	2179.4	2195.6	2211.5	2226.3	2241.4	2256.7	2271.3
% Ch	3.0	3.0	3.0	2.9	2.7	2.7	2.8	2.6
Construction	125.6	126.0	126.5	126.9	127.2	127.5	127.8	128.1
% Ch	1.3	1.5	1.4	1.2	1.0	1.0	0.9	0.9
Services	688.4	695.4	702.5	709.3	715.0	721.1	727.5	733.9
% Ch	4.2	4.1	4.1	3.9	3.2	3.5	3.6	3.6
Housing Indicators								
Housing Units Authorized (Thousands)	43.967	44.643	45.165	45.866	46.528	46.812	46.897	46.995
% Ch	10.5	6.3	4.8	6.4	5.9	2.5	0.7	0.8
Mortgage Rate (%)	6.89	6.84	6.86	6.78	6.72	6.67	6.65	6.64

TABLE 2.1
U.S. Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Wage and Salary Employment	108.60	110.73	114.03	116.58	118.27	119.86	121.75	123.57
% Ch	0.3	2.0	3.0	2.2	1.4	1.3	1.6	1.5
Manufacturing	18.11	18.08	18.30	18.40	18.09	17.85	17.77	17.66
% Ch	-1.6	-0.2	1.3	0.5	-1.7	-1.3	-0.4	-0.6
Nondurable Manufacturing	7.83	7.86	7.87	7.81	7.66	7.63	7.65	7.61
% Ch	-0.1	0.3	0.2	-0.8	-2.0	-0.3	0.3	-0.5
Food and Kindred Products	1.66	1.68	1.68	1.69	1.67	1.65	1.66	1.66
% Ch	-0.3	1.0	0.0	0.4	-0.9	-1.1	0.7	-0.4
Pulp and Paper	0.69	0.69	0.69	0.69	0.67	0.67	0.67	0.67
% Ch	0.4	0.2	-0.1	-0.5	-2.0	-0.9	0.6	-0.5
Apparel	1.01	0.99	0.97	0.92	0.87	0.88	0.87	0.86
% Ch	0.1	-1.8	-2.0	-5.5	-4.6	0.8	-0.7	-1.4
Printing	1.51	1.52	1.54	1.56	1.54	1.55	1.56	1.55
% Ch	-1.9	0.7	1.6	0.9	-1.0	0.3	0.7	-0.1
Chemicals	1.08	1.08	1.06	1.05	1.03	1.03	1.04	1.04
% Ch	0.8	-0.3	-1.9	-1.4	-1.4	0.1	0.8	-0.2
Other Nondurables	1.88	1.90	1.93	1.92	1.87	1.85	1.85	1.83
% Ch	0.7	1.1	1.8	-0.6	-2.8	-0.8	-0.2	-0.7
Durable Manufacturing	10.28	10.22	10.43	10.59	10.43	10.22	10.12	10.05
% Ch	-2.8	-0.5	2.0	1.5	-1.5	-2.0	-1.0	-0.7
Lumber and Wood	0.68	0.71	0.75	0.76	0.74	0.73	0.73	0.73
% Ch	0.7	4.3	6.1	0.6	-1.7	-1.2	-0.0	-0.2
Furniture	0.48	0.49	0.50	0.50	0.49	0.50	0.50	0.50
% Ch	0.6	1.9	3.1	-0.5	-1.8	1.3	0.5	-0.2
Stone-Clay-Glass	0.51	0.52	0.53	0.54	0.53	0.52	0.52	0.51
% Ch	-1.6	0.7	3.0	1.7	-1.4	-1.8	-0.9	-0.9
Primary Metals	0.69	0.68	0.70	0.71	0.70	0.69	0.68	0.67
% Ch	-3.9	-1.6	2.3	2.1	-1.8	-2.0	-1.2	-1.1
Fabricated Metals	1.33	1.34	1.39	1.43	1.42	1.41	1.41	1.40
% Ch	-1.9	0.7	3.6	3.4	-1.1	-0.7	-0.0	-0.4
Nonelectrical Machinery	1.93	1.93	1.98	2.04	2.03	1.97	1.94	1.91
% Ch	-3.5	0.1	2.8	2.9	-0.6	-2.8	-1.8	-1.3
Electrical Machinery	1.53	1.53	1.57	1.62	1.62	1.59	1.59	1.60
% Ch	-4.0	-0.2	2.9	3.3	-0.4	-1.6	0.1	0.3
Transportation Equipment	1.83	1.76	1.75	1.74	1.69	1.61	1.57	1.56
% Ch	-3.2	-4.0	-0.4	-0.3	-3.0	-4.8	-2.3	-0.5
Instruments	0.93	0.90	0.86	0.84	0.82	0.81	0.78	0.76
% Ch	-4.7	-3.6	-3.6	-2.3	-2.4	-2.0	-2.8	-2.8
Other Durables	0.37	0.38	0.39	0.39	0.39	0.39	0.39	0.39
% Ch	0.6	2.8	3.2	0.7	-1.6	1.3	0.6	-0.5
Nonmanufacturing	90.49	92.65	95.72	98.18	100.18	102.01	103.98	105.91
% Ch	0.7	2.4	3.3	2.6	2.0	1.8	1.9	1.9
Mining	0.63	0.61	0.60	0.58	0.56	0.55	0.54	0.54
% Ch	-7.9	-3.9	-1.6	-3.6	-2.8	-1.7	-1.4	-1.0
Construction	4.49	4.66	5.01	5.24	5.33	5.26	5.22	5.23
% Ch	-3.5	3.8	7.3	4.7	1.6	-1.2	-0.7	0.1
Trans., Comm. and Utilities	5.72	5.83	6.01	6.19	6.25	6.29	6.34	6.36
% Ch	-0.7	1.9	3.0	3.1	0.9	0.6	0.8	0.4
Wholesale Trade	6.00	5.98	6.14	6.32	6.41	6.48	6.59	6.73
% Ch	-1.4	-0.3	2.6	2.9	1.4	1.1	1.7	2.1
Retail Trade	19.36	19.77	20.44	20.84	21.19	21.58	21.96	22.39
% Ch	0.4	2.2	3.4	2.0	1.7	1.8	1.7	2.0
Finance-Insurance-Real Estate	6.60	6.76	6.93	6.95	7.04	7.05	7.12	7.21
% Ch	-0.7	2.3	2.6	0.2	1.3	0.3	1.0	1.2
Services	29.05	30.19	31.48	32.79	33.85	34.99	36.11	37.08
% Ch	2.5	3.9	4.3	4.1	3.3	3.4	3.2	2.7
State and Local Government	15.67	15.93	16.25	16.46	16.72	17.05	17.41	17.72
% Ch	1.5	1.6	2.0	1.3	1.6	1.9	2.1	1.8
Federal Government	2.97	2.92	2.87	2.82	2.83	2.75	2.68	2.65
% Ch	0.1	-1.8	-1.5	-1.8	0.2	-2.7	-2.6	-1.0

TABLE 2.2
U.S. Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1994:1	1994:2	1994:3	1994:4	1995:1	1995:2	1995:3	1995:4
Wage and Salary Employment	112.65	113.65	114.48	115.33	116.08	116.37	116.77	117.12
% Ch	3.0	3.6	3.0	3.0	2.6	1.0	1.4	1.2
Manufacturing	18.18	18.27	18.33	18.44	18.52	18.46	18.34	18.28
% Ch	1.9	1.9	1.5	2.3	1.8	-1.1	-2.6	-1.5
Nondurable Manufacturing	7.85	7.87	7.88	7.89	7.90	7.85	7.77	7.72
% Ch	0.3	0.7	0.4	0.7	0.5	-2.5	-4.2	-2.2
Food and Kindred Products	1.68	1.68	1.68	1.68	1.69	1.69	1.68	1.69
% Ch	-1.1	0.0	-0.2	0.6	2.0	0.0	-2.1	1.2
Pulp and Paper	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.68
% Ch	0.8	-0.2	-0.2	0.8	0.0	-1.0	-2.3	-2.9
Apparel	0.97	0.97	0.97	0.96	0.95	0.93	0.91	0.88
% Ch	-1.6	0.8	-0.5	-2.6	-5.3	-8.4	-10.6	-11.9
Printing	1.53	1.54	1.55	1.55	1.56	1.56	1.55	1.55
% Ch	2.0	2.0	2.2	1.6	1.9	-0.5	-1.1	-0.8
Chemicals	1.07	1.06	1.06	1.05	1.05	1.05	1.04	1.04
% Ch	-2.9	-2.1	-1.7	-1.3	-0.1	-2.3	-2.1	-1.1
Other Nondurables	1.92	1.93	1.93	1.95	1.95	1.93	1.90	1.89
% Ch	3.0	2.3	1.3	2.9	1.4	-3.9	-7.0	-1.8
Durable Manufacturing	10.33	10.40	10.46	10.55	10.62	10.61	10.58	10.55
% Ch	3.1	2.8	2.3	3.5	2.7	-0.1	-1.4	-0.9
Lumber and Wood	0.74	0.75	0.76	0.76	0.77	0.76	0.75	0.75
% Ch	8.1	5.1	4.3	4.1	1.2	-4.9	-3.0	-0.2
Furniture	0.50	0.50	0.50	0.51	0.51	0.50	0.49	0.49
% Ch	4.4	3.0	3.0	1.9	1.9	-5.6	-6.0	-0.1
Stone-Clay-Glass	0.53	0.53	0.53	0.54	0.54	0.54	0.54	0.54
% Ch	3.6	4.9	1.8	3.5	4.5	-0.7	-3.6	-0.4
Primary Metals	0.69	0.69	0.70	0.71	0.72	0.72	0.71	0.71
% Ch	3.4	1.4	4.7	6.2	3.2	0.2	-4.0	0.1
Fabricated Metals	1.36	1.38	1.39	1.41	1.43	1.44	1.43	1.43
% Ch	4.3	4.9	4.4	5.4	6.2	1.0	-1.7	0.4
Nonelectrical Machinery	1.96	1.98	1.99	2.01	2.02	2.04	2.05	2.06
% Ch	4.0	4.2	1.6	3.0	3.8	2.7	2.0	2.3
Electrical Machinery	1.55	1.56	1.58	1.60	1.61	1.62	1.63	1.63
% Ch	3.2	4.9	4.0	4.3	4.1	1.9	1.6	2.2
Transportation Equipment	1.74	1.74	1.75	1.76	1.77	1.76	1.74	1.70
% Ch	1.3	-0.2	0.9	3.8	0.6	-1.3	-3.7	-8.7
Instruments	0.88	0.87	0.86	0.85	0.85	0.85	0.84	0.84
% Ch	-3.3	-3.9	-3.6	-2.2	-2.3	-1.3	-1.4	-3.7
Other Durables	0.39	0.39	0.39	0.39	0.40	0.39	0.39	0.39
% Ch	4.3	3.5	3.1	2.7	1.4	-2.3	-3.7	2.7
Nonmanufacturing	94.47	95.38	96.15	96.89	97.56	97.91	98.42	98.85
% Ch	3.3	3.9	3.3	3.1	2.8	1.4	2.1	1.7
Mining	0.61	0.60	0.60	0.59	0.59	0.58	0.58	0.57
% Ch	2.0	-4.9	-2.9	-2.7	-2.7	-4.5	-4.9	-5.0
Construction	4.86	4.99	5.05	5.13	5.22	5.22	5.24	5.28
% Ch	6.7	11.0	5.1	6.9	7.3	-0.2	1.4	3.5
Trans., Comm. and Utilities	5.93	5.97	6.04	6.09	6.15	6.18	6.20	6.22
% Ch	2.9	2.7	4.8	3.6	4.1	2.0	1.3	1.1
Wholesale Trade	6.07	6.12	6.16	6.21	6.27	6.31	6.34	6.36
% Ch	3.3	3.2	2.8	3.3	3.9	2.3	2.1	1.6
Retail Trade	20.19	20.37	20.51	20.68	20.77	20.77	20.86	20.96
% Ch	3.8	3.6	2.8	3.4	1.8	-0.0	1.7	2.1
Finance-Insurance-Real Estate	6.91	6.94	6.95	6.93	6.93	6.93	6.95	6.98
% Ch	3.3	1.6	0.4	-0.7	-0.2	-0.3	1.2	2.2
Services	30.91	31.32	31.69	32.02	32.39	32.65	32.95	33.16
% Ch	3.7	5.4	4.8	4.3	4.7	3.4	3.7	2.5
State and Local Government	16.11	16.21	16.30	16.37	16.40	16.43	16.49	16.51
% Ch	1.7	2.6	2.3	1.7	0.7	0.6	1.3	0.6
Federal Government	2.89	2.87	2.86	2.86	2.83	2.83	2.83	2.79
% Ch	-1.4	-2.4	-1.5	-1.1	-3.1	-0.1	-0.9	-5.0

TABLE 2.2
U.S. Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1996:1	1996:2	1996:3	1996:4	1997:1	1997:2	1997:3	1997:4
Wage and Salary Employment	117.65	118.10	118.46	118.86	119.25	119.63	120.04	120.51
% Ch	1.8	1.6	1.2	1.3	1.3	1.3	1.4	1.6
Manufacturing	18.20	18.14	18.05	17.96	17.90	17.84	17.83	17.83
% Ch	-1.6	-1.3	-2.0	-1.9	-1.5	-1.3	-0.1	0.0
Nondurable Manufacturing	7.67	7.66	7.66	7.64	7.63	7.62	7.63	7.65
% Ch	-3.0	-0.3	-0.3	-0.7	-0.7	-0.5	0.6	0.9
Food and Kindred Products	1.68	1.68	1.67	1.66	1.65	1.65	1.65	1.66
% Ch	-1.6	-0.5	-1.8	-2.3	-1.5	-1.0	0.6	1.4
Pulp and Paper	0.68	0.68	0.67	0.67	0.67	0.67	0.67	0.67
% Ch	-3.3	-0.0	-1.1	-1.6	-1.5	-1.0	0.1	1.2
Apparel	0.86	0.87	0.88	0.88	0.88	0.88	0.88	0.88
% Ch	-5.5	2.1	3.9	3.5	-1.0	-0.7	-0.5	-0.6
Printing	1.54	1.54	1.54	1.54	1.54	1.54	1.55	1.55
% Ch	-1.9	-1.3	0.6	0.2	0.3	-0.1	1.5	1.3
Chemicals	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.04
% Ch	-3.1	1.1	-1.0	-1.2	0.1	1.1	0.8	1.1
Other Nondurables	1.87	1.87	1.86	1.86	1.85	1.85	1.85	1.85
% Ch	-3.6	-1.2	-0.9	-1.4	-0.8	-1.0	0.5	0.4
Durable Manufacturing	10.53	10.48	10.39	10.32	10.27	10.22	10.20	10.19
% Ch	-0.6	-2.0	-3.3	-2.7	-2.0	-1.9	-0.6	-0.6
Lumber and Wood	0.75	0.75	0.74	0.74	0.74	0.73	0.73	0.74
% Ch	-1.9	-1.0	-1.7	-1.4	-1.5	-1.8	0.3	0.6
Furniture	0.49	0.49	0.49	0.49	0.49	0.50	0.50	0.50
% Ch	-3.0	-0.3	0.6	2.1	1.2	1.3	2.0	0.9
Stone-Clay-Glass	0.54	0.54	0.53	0.53	0.53	0.52	0.52	0.52
% Ch	-1.2	-0.8	-1.4	-2.4	-2.3	-2.3	-0.6	0.0
Primary Metals	0.71	0.71	0.70	0.70	0.69	0.69	0.68	0.68
% Ch	-2.4	-0.2	-4.6	-0.8	-2.0	-2.9	-1.5	0.1
Fabricated Metals	1.42	1.42	1.42	1.41	1.41	1.41	1.41	1.41
% Ch	-2.7	-0.6	-1.4	-1.4	-0.9	-0.3	0.2	0.4
Nonelectrical Machinery	2.05	2.04	2.02	2.00	1.99	1.98	1.97	1.96
% Ch	-1.9	-1.0	-3.9	-4.3	-2.7	-2.5	-1.8	-1.2
Electrical Machinery	1.62	1.63	1.61	1.60	1.59	1.59	1.59	1.59
% Ch	-2.8	1.1	-3.6	-3.0	-2.2	-0.5	-0.1	-0.1
Transportation Equipment	1.74	1.70	1.67	1.64	1.63	1.61	1.60	1.59
% Ch	9.7	-9.2	-7.4	-5.9	-3.8	-4.8	-1.4	-2.5
Instruments	0.83	0.82	0.82	0.82	0.81	0.81	0.81	0.80
% Ch	-3.3	-1.7	-1.3	-2.0	-2.2	-2.3	-1.7	-2.3
Other Durables	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
% Ch	-5.1	-2.3	1.3	1.8	1.6	1.0	2.3	1.0
Nonmanufacturing	99.44	99.96	100.41	100.89	101.35	101.79	102.21	102.68
% Ch	2.4	2.1	1.8	1.9	1.8	1.8	1.6	1.9
Mining	0.57	0.56	0.56	0.56	0.56	0.55	0.55	0.55
% Ch	-1.7	-1.5	-1.2	-1.3	-2.0	-1.7	-2.2	-1.9
Construction	5.33	5.33	5.33	5.32	5.30	5.27	5.25	5.24
% Ch	3.2	0.4	-0.4	-0.7	-1.6	-1.9	-1.8	-0.4
Trans., Comm. and Utilities	6.24	6.24	6.25	6.26	6.27	6.28	6.29	6.31
% Ch	1.0	0.4	0.4	0.6	0.6	0.7	0.7	0.9
Wholesale Trade	6.40	6.40	6.41	6.43	6.45	6.47	6.49	6.52
% Ch	1.9	0.4	0.6	1.0	1.3	1.1	1.4	1.7
Retail Trade	21.05	21.14	21.24	21.35	21.46	21.55	21.62	21.71
% Ch	1.6	1.8	1.9	2.1	2.1	1.7	1.4	1.5
Finance-Insurance-Real Estate	7.00	7.03	7.05	7.06	7.06	7.05	7.05	7.05
% Ch	1.1	1.5	0.9	0.6	-0.0	-0.3	-0.1	0.1
Services	33.46	33.71	33.98	34.27	34.56	34.86	35.13	35.41
% Ch	3.6	3.1	3.2	3.4	3.4	3.5	3.2	3.3
State and Local Government	16.58	16.69	16.77	16.85	16.93	17.01	17.08	17.18
% Ch	1.8	2.5	2.1	2.0	1.8	1.8	1.8	2.3
Federal Government	2.83	2.85	2.83	2.80	2.78	2.76	2.74	2.72
% Ch	6.0	2.5	-2.9	-3.7	-3.0	-3.0	-2.4	-3.2

TABLE 2.2
U.S. Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1998:1	1998:2	1998:3	1998:4	1999:1	1999:2	1999:3	1999:4
Wage and Salary Employment	121.03	121.52	122.00	122.46	122.87	123.33	123.81	124.28
% Ch	1.7	1.6	1.6	1.5	1.3	1.5	1.6	1.5
Manufacturing	17.82	17.80	17.76	17.71	17.68	17.66	17.65	17.65
% Ch	-0.3	-0.6	-0.7	-1.3	-0.7	-0.4	-0.1	-0.1
Nondurable Manufacturing	7.66	7.66	7.66	7.64	7.63	7.62	7.61	7.60
% Ch	0.5	0.2	-0.1	-0.8	-0.7	-0.6	-0.4	-0.3
Food and Kindred Products	1.66	1.66	1.67	1.66	1.66	1.66	1.65	1.65
% Ch	1.2	0.6	0.1	-0.3	-0.5	-0.8	-0.8	-0.6
Pulp and Paper	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67
% Ch	1.5	0.7	-0.1	-0.5	-0.5	-0.8	-1.0	-0.6
Apparel	0.88	0.87	0.88	0.87	0.87	0.86	0.86	0.86
% Ch	-1.2	-0.6	0.3	-1.4	-2.7	-1.6	-0.4	-1.2
Printing	1.55	1.56	1.56	1.55	1.55	1.55	1.55	1.56
% Ch	0.7	0.5	0.3	-0.7	-0.4	0.0	0.4	0.5
Chemicals	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04
% Ch	1.2	0.6	0.0	-0.4	-0.1	-0.4	-0.5	-0.1
Other Nondurables	1.85	1.85	1.85	1.84	1.84	1.83	1.83	1.83
% Ch	-0.1	-0.6	-0.7	-1.2	-0.7	-0.7	-0.6	-0.2
Durable Manufacturing	10.16	10.14	10.11	10.06	10.05	10.04	10.05	10.05
% Ch	-0.9	-1.1	-1.2	-1.7	-0.6	-0.2	0.1	-0.0
Lumber and Wood	0.74	0.74	0.73	0.73	0.73	0.73	0.73	0.73
% Ch	0.5	-0.4	-0.5	-0.5	-0.2	0.0	-0.2	0.1
Furniture	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
% Ch	0.2	0.2	-0.1	-1.4	-1.0	0.8	1.1	-0.0
Stone-Clay-Glass	0.52	0.52	0.52	0.52	0.52	0.51	0.51	0.51
% Ch	-0.7	-1.1	-1.4	-1.7	-0.9	-0.5	-0.3	-0.2
Primary Metals	0.68	0.68	0.68	0.68	0.67	0.67	0.67	0.67
% Ch	-1.0	-1.9	-1.6	-1.3	-1.1	-1.0	-0.5	-0.2
Fabricated Metals	1.41	1.41	1.41	1.40	1.40	1.40	1.40	1.40
% Ch	0.2	-0.3	-0.6	-0.8	-0.4	-0.3	0.1	0.6
Nonelectrical Machinery	1.95	1.94	1.93	1.92	1.92	1.91	1.91	1.91
% Ch	-1.5	-2.1	-2.1	-2.4	-0.7	-1.0	-0.6	-0.4
Electrical Machinery	1.59	1.59	1.59	1.59	1.59	1.60	1.60	1.60
% Ch	0.4	0.5	-0.2	-0.6	0.7	0.9	0.6	0.4
Transportation Equipment	1.58	1.58	1.57	1.56	1.56	1.56	1.57	1.57
% Ch	-2.7	-1.9	-1.6	-2.4	-0.5	1.1	1.6	0.5
Instruments	0.79	0.79	0.78	0.77	0.77	0.76	0.76	0.76
% Ch	-3.0	-3.3	-3.3	-3.7	-2.8	-2.4	-2.0	-2.0
Other Durables	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
% Ch	0.3	0.4	0.2	-1.6	-1.5	-0.4	1.0	0.6
Nonmanufacturing	103.21	103.72	104.24	104.76	105.19	105.67	106.15	106.63
% Ch	2.1	2.0	2.0	2.0	1.7	1.8	1.9	1.8
Mining	0.55	0.55	0.54	0.54	0.54	0.54	0.54	0.54
% Ch	-1.2	-1.1	-1.1	-1.0	-1.3	-0.9	-0.6	-0.1
Construction	5.23	5.22	5.22	5.22	5.22	5.22	5.23	5.25
% Ch	-0.5	-0.7	-0.4	-0.1	-0.2	0.6	0.5	1.2
Trans., Comm. and Utilities	6.32	6.33	6.35	6.36	6.36	6.36	6.36	6.37
% Ch	0.9	0.8	0.8	0.8	-0.0	0.1	0.2	0.3
Wholesale Trade	6.54	6.57	6.61	6.64	6.67	6.71	6.75	6.79
% Ch	1.8	1.9	1.9	2.0	2.0	2.3	2.4	2.4
Retail Trade	21.81	21.91	22.01	22.12	22.22	22.34	22.44	22.55
% Ch	1.9	1.9	1.8	2.0	2.0	2.1	1.9	1.9
Finance-Insurance-Real Estate	7.08	7.11	7.13	7.16	7.18	7.19	7.22	7.24
% Ch	1.8	1.4	1.4	1.6	0.9	0.9	1.2	1.2
Services	35.70	35.98	36.25	36.52	36.73	36.96	37.19	37.44
% Ch	3.3	3.1	3.1	3.0	2.4	2.5	2.6	2.7
State and Local Government	17.28	17.37	17.46	17.54	17.61	17.68	17.76	17.83
% Ch	2.3	2.2	2.1	2.0	1.6	1.5	1.7	1.6
Federal Government	2.70	2.68	2.67	2.66	2.66	2.66	2.66	2.62
% Ch	-2.9	-2.5	-1.3	-2.1	0.0	0.0	0.0	-5.0

TABLE 2.3
Washington Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Wage and Salary Employment	2221.9	2251.7	2303.7	2351.8	2403.6	2466.9	2536.6	2605.1
% Ch	2.0	1.3	2.3	2.1	2.2	2.6	2.8	2.7
Manufacturing	347.2	340.8	336.9	332.1	335.1	341.6	349.1	356.2
% Ch	-1.3	-1.8	-1.1	-1.4	0.9	1.9	2.2	2.0
Nondurable Manufacturing	101.6	103.4	106.3	108.2	109.2	111.0	113.3	115.2
% Ch	1.4	1.8	2.8	1.8	0.9	1.7	2.1	1.7
Food and Kindred Products	38.0	39.0	40.5	42.0	42.2	42.6	43.7	44.6
% Ch	1.2	2.7	3.7	3.6	0.5	1.1	2.5	2.0
Pulp and Paper	17.7	17.2	17.2	17.3	17.5	17.7	17.7	17.8
% Ch	-1.1	-2.8	-0.1	0.6	1.1	1.2	0.4	0.2
Apparel	8.2	8.8	9.3	9.1	9.2	9.2	9.2	9.2
% Ch	3.0	7.4	5.1	-1.8	0.4	0.7	-0.1	-0.5
Printing	22.7	23.0	23.5	24.0	24.3	24.9	25.6	26.4
% Ch	1.1	1.4	2.1	1.9	1.3	2.7	2.9	2.8
Chemicals	5.2	5.4	5.6	5.5	5.4	5.5	5.6	5.7
% Ch	0.5	3.2	4.3	-2.3	-1.1	1.4	2.0	1.7
Other Nondurables	9.7	9.9	10.2	10.4	10.7	11.1	11.4	11.6
% Ch	7.2	2.2	3.1	1.8	2.5	3.5	2.7	2.5
Durable Manufacturing	245.6	237.4	230.6	223.9	225.9	230.6	235.9	240.9
% Ch	-2.4	-3.4	-2.9	-2.9	0.9	2.1	2.3	2.1
Lumber and Wood	36.5	35.9	36.3	35.6	35.4	34.9	34.8	34.5
% Ch	0.3	-1.8	1.3	-1.9	-0.6	-1.4	-0.4	-0.7
Furniture	3.7	3.6	3.7	3.7	3.8	3.9	4.0	4.1
% Ch	-2.5	-4.5	4.1	0.7	2.2	2.5	2.6	2.2
Stone-Clay-Glass	8.1	8.4	8.7	8.9	8.9	8.9	9.0	9.0
% Ch	5.4	3.5	3.0	1.8	0.4	0.6	0.6	0.6
Primary Metals	11.7	11.2	10.8	11.2	11.6	11.6	11.7	11.7
% Ch	-4.9	-3.9	-3.7	4.0	3.0	-0.1	1.0	0.6
Fabricated Metals	11.2	11.5	12.5	13.1	13.5	13.7	14.0	14.2
% Ch	-5.6	2.7	8.3	5.4	2.7	1.6	1.8	1.4
Nonelectrical Machinery	19.5	20.2	20.9	21.9	22.5	22.5	22.9	23.2
% Ch	-2.1	3.9	3.5	4.8	2.7	0.2	1.6	1.1
Electrical Machinery	10.6	11.2	12.3	14.0	15.3	16.9	18.7	20.3
% Ch	-3.2	5.3	10.1	13.9	8.8	10.8	10.4	8.8
Aerospace	111.9	102.7	91.8	80.2	79.9	83.0	86.0	89.0
% Ch	-3.2	-8.2	-10.6	-12.7	-0.3	3.9	3.6	3.5
Other Trans. Equip.	11.5	12.0	13.3	14.6	14.4	14.3	14.1	14.1
% Ch	-9.9	4.8	10.5	9.9	-1.8	-0.6	-0.9	-0.2
Instruments	14.1	13.5	12.8	12.8	12.8	12.7	12.6	12.5
% Ch	1.8	-4.3	-5.0	-0.4	0.2	-0.4	-1.2	-0.5
Other Durables	6.8	7.1	7.4	7.8	7.9	8.0	8.1	8.2
% Ch	2.4	4.4	3.8	5.5	1.3	1.8	1.0	1.0
Nonmanufacturing	1874.7	1910.9	1966.8	2019.7	2068.5	2125.3	2187.5	2248.9
% Ch	2.7	1.9	2.9	2.7	2.4	2.7	2.9	2.8
Mining	3.4	3.2	3.4	3.4	3.5	3.5	3.6	3.7
% Ch	-7.5	-5.3	6.5	-0.4	2.7	1.7	1.8	1.8
Construction	119.2	119.1	123.0	122.8	123.4	124.8	126.2	127.6
% Ch	0.9	-0.1	3.3	-0.1	0.5	1.1	1.2	1.1
Trans., Comm. and Utilities	113.6	114.2	116.5	120.2	123.5	125.8	128.4	131.0
% Ch	1.6	0.5	2.0	3.2	2.7	1.9	2.1	2.0
Wholesale Trade	131.5	133.3	138.3	144.0	147.6	150.5	153.8	157.6
% Ch	0.9	1.4	3.8	4.1	2.5	1.9	2.2	2.5
Retail Trade	406.3	413.2	426.6	439.8	448.5	461.2	475.6	492.1
% Ch	2.4	1.7	3.2	3.1	2.0	2.8	3.1	3.5
Finance-Insurance-Real Estate	119.3	121.2	124.1	121.9	124.5	126.6	128.5	130.5
% Ch	2.0	1.6	2.4	-1.8	2.1	1.7	1.5	1.6
Services	557.8	576.7	598.0	623.7	644.7	670.9	698.9	724.4
% Ch	4.1	3.4	3.7	4.3	3.4	4.1	4.2	3.6
State and Local Government	350.2	357.7	365.3	373.9	382.9	393.5	405.1	415.1
% Ch	3.4	2.1	2.1	2.3	2.4	2.8	3.0	2.5
Federal Government	73.4	72.3	71.5	70.0	70.0	68.5	67.3	66.9
% Ch	0.6	-1.4	-1.1	-2.1	0.0	-2.1	-1.8	-0.6

TABLE 2.4
Washington Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1994:1	1994:2	1994:3	1994:4	1995:1	1995:2	1995:3	1995:4
Wage and Salary Employment	2283.8	2293.8	2309.5	2327.8	2350.3	2348.4	2355.6	2352.8
% Ch	1.9	1.8	2.8	3.2	3.9	-0.3	1.2	-0.5
Manufacturing	336.7	336.2	336.4	338.3	341.1	337.6	332.3	317.4
% Ch	-1.4	-0.7	0.3	2.3	3.3	-4.0	-6.2	-16.8
Nondurable Manufacturing	105.4	106.1	106.7	107.2	108.5	107.7	108.0	108.7
% Ch	3.5	2.8	2.1	1.9	5.0	-2.8	1.0	2.7
Food and Kindred Products	40.2	40.3	40.6	40.9	42.2	41.8	41.6	42.3
% Ch	4.2	0.7	3.3	2.4	13.5	-3.9	-1.3	6.4
Pulp and Paper	17.0	17.2	17.2	17.3	17.3	17.2	17.4	17.3
% Ch	-2.1	3.8	0.5	3.6	-1.6	-1.6	3.6	-1.4
Apparel	9.1	9.5	9.3	9.2	9.2	9.1	9.1	9.1
% Ch	9.7	18.6	-6.1	-4.9	-2.6	-1.9	-0.3	-0.7
Printing	23.3	23.5	23.6	23.7	24.0	23.8	23.9	24.1
% Ch	4.3	3.0	1.8	1.7	5.7	-3.4	1.3	3.5
Chemicals	5.6	5.5	5.6	5.8	5.6	5.5	5.4	5.4
% Ch	-0.3	-3.7	3.6	13.4	-9.1	-8.5	-6.0	-1.4
Other Nondurables	10.2	10.2	10.4	10.3	10.2	10.3	10.6	10.5
% Ch	5.7	-0.3	7.9	-2.5	-2.1	3.5	10.6	-1.6
Durable Manufacturing	231.4	230.0	229.7	231.1	232.6	229.9	224.3	208.7
% Ch	-3.6	-2.3	-0.5	2.5	2.6	-4.6	-9.4	-25.1
Lumber and Wood	36.9	36.1	36.2	36.1	36.5	35.2	35.3	35.5
% Ch	7.3	-8.7	1.3	-0.6	3.7	-13.1	0.6	3.1
Furniture	3.6	3.7	3.7	3.8	3.8	3.7	3.7	3.7
% Ch	11.7	10.0	5.0	8.2	0.0	-12.1	1.6	3.7
Stone-Clay-Glass	8.6	8.7	8.7	8.7	8.9	8.9	8.8	8.9
% Ch	9.6	1.6	0.9	1.0	7.9	-1.8	-2.3	2.6
Primary Metals	10.9	10.8	10.6	10.8	10.9	11.0	11.4	11.5
% Ch	-1.3	-5.9	-5.0	6.4	5.1	3.7	13.8	4.2
Fabricated Metals	12.1	12.4	12.5	12.9	13.1	13.1	13.1	13.3
% Ch	6.1	9.9	5.2	12.9	6.2	-1.2	1.4	5.5
Nonelectrical Machinery	20.4	20.8	20.9	21.5	21.3	21.9	22.0	22.4
% Ch	0.7	7.5	2.7	12.7	-4.2	11.5	2.5	6.4
Electrical Machinery	11.5	12.1	12.7	13.0	13.5	13.9	14.3	14.4
% Ch	5.7	19.8	22.2	9.0	15.7	15.2	10.8	4.1
Aerospace	94.3	92.3	90.7	90.1	89.4	87.3	80.1	63.9
% Ch	-14.3	-8.0	-7.0	-2.3	-3.3	-9.0	-28.9	-59.7
Other Trans. Equip.	13.0	13.2	13.4	13.7	14.8	14.4	14.9	14.4
% Ch	22.8	8.7	5.8	7.6	36.7	-10.2	16.2	-12.8
Instruments	12.9	12.8	12.7	12.9	12.8	12.7	12.8	12.8
% Ch	-10.4	-5.3	-2.4	5.3	-3.3	-1.5	2.8	1.1
Other Durables	7.1	7.3	7.6	7.6	7.7	7.8	7.8	7.8
% Ch	2.0	10.7	15.8	1.3	7.4	5.8	-0.3	-2.8
Nonmanufacturing	1947.0	1957.6	1973.1	1989.5	2009.3	2010.7	2023.3	2035.5
% Ch	2.4	2.2	3.2	3.4	4.0	0.3	2.5	2.4
Mining	3.3	3.4	3.4	3.5	3.5	3.4	3.4	3.4
% Ch	4.1	11.5	6.1	6.7	-1.9	-13.3	-1.6	4.5
Construction	122.9	123.2	123.3	122.7	123.2	122.8	122.3	123.0
% Ch	-0.1	1.0	0.3	-1.7	1.4	-1.1	-1.8	2.6
Trans., Comm. and Utilities	114.7	115.4	117.3	118.4	119.5	119.9	120.1	121.4
% Ch	2.8	2.2	6.9	3.7	3.7	1.3	0.7	4.6
Wholesale Trade	136.7	137.2	138.4	141.0	142.8	143.4	144.4	145.6
% Ch	2.8	1.6	3.4	7.9	5.1	1.8	2.7	3.3
Retail Trade	421.9	424.1	428.2	432.3	439.1	436.5	440.5	443.1
% Ch	3.8	2.2	3.9	3.9	6.4	-2.3	3.7	2.4
Finance-Insurance-Real Estate	126.2	125.2	123.3	121.7	121.8	121.4	121.4	122.9
% Ch	8.3	-3.2	-5.8	-5.1	0.3	-1.3	-0.0	5.1
Services	587.7	593.5	603.2	607.8	617.6	618.1	627.3	631.8
% Ch	2.3	3.9	6.7	3.1	6.6	0.3	6.1	2.9
State and Local Government	362.1	364.2	364.6	370.4	371.1	375.1	374.7	374.6
% Ch	0.6	2.4	0.4	6.4	0.8	4.3	-0.4	-0.1
Federal Government	71.5	71.5	71.4	71.7	70.8	70.2	69.3	69.6
% Ch	-1.9	-0.4	-0.6	2.1	-5.3	-3.0	-4.9	1.7

TABLE 2.4
Washington Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1996:1	1996:2	1996:3	1996:4	1997:1	1997:2	1997:3	1997:4
Wage and Salary Employment	2382.4	2395.2	2410.9	2425.8	2442.3	2458.6	2474.8	2491.9
% Ch	5.1	2.2	2.7	2.5	2.7	2.7	2.7	2.8
Manufacturing	333.6	333.9	335.6	337.2	338.8	340.5	342.5	344.5
% Ch	22.0	0.4	2.0	2.0	1.9	2.0	2.4	2.4
Nondurable Manufacturing	108.6	109.0	109.3	109.7	110.2	110.7	111.2	111.9
% Ch	-0.3	1.2	1.4	1.5	1.7	1.7	2.1	2.3
Food and Kindred Products	42.1	42.2	42.2	42.2	42.3	42.5	42.7	43.0
% Ch	-1.7	0.7	0.1	0.3	1.2	1.1	2.3	3.1
Pulp and Paper	17.4	17.4	17.5	17.6	17.6	17.7	17.7	17.7
% Ch	2.2	1.0	1.8	1.2	1.3	1.0	0.9	0.4
Apparel	9.1	9.1	9.2	9.2	9.2	9.2	9.2	9.2
% Ch	0.4	0.9	2.8	1.9	-0.2	-0.1	0.1	-0.1
Printing	24.0	24.2	24.3	24.5	24.7	24.8	25.0	25.2
% Ch	-0.9	2.4	2.5	2.7	2.7	2.8	2.8	2.8
Chemicals	5.4	5.4	5.4	5.4	5.5	5.5	5.5	5.5
% Ch	0.0	1.8	0.7	0.7	1.4	1.9	1.8	2.1
Other Nondurables	10.6	10.6	10.7	10.8	10.9	11.0	11.1	11.2
% Ch	2.4	0.5	2.9	4.3	3.4	3.9	3.9	3.0
Durable Manufacturing	224.9	224.9	226.2	227.5	228.6	229.8	231.2	232.6
% Ch	35.0	-0.0	2.3	2.2	2.0	2.2	2.6	2.4
Lumber and Wood	35.6	35.5	35.3	35.2	35.0	34.9	34.9	34.9
% Ch	1.2	-1.5	-1.9	-1.6	-1.7	-1.9	-0.1	0.1
Furniture	3.8	3.8	3.8	3.9	3.9	3.9	3.9	4.0
% Ch	6.0	0.9	3.1	1.7	3.1	2.6	2.7	2.6
Stone-Clay-Glass	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9
% Ch	0.7	-0.2	0.8	1.1	0.5	0.5	0.2	0.4
Primary Metals	11.6	11.6	11.5	11.5	11.5	11.5	11.6	11.6
% Ch	4.1	-1.5	-2.4	-1.0	0.2	0.7	1.6	1.5
Fabricated Metals	13.4	13.5	13.5	13.6	13.6	13.7	13.7	13.8
% Ch	4.5	0.7	1.9	1.0	1.8	1.8	2.1	1.9
Nonelectrical Machinery	22.6	22.5	22.5	22.4	22.4	22.5	22.6	22.7
% Ch	3.5	-0.8	-1.3	-1.1	0.1	1.4	2.0	2.0
Electrical Machinery	14.8	15.0	15.4	15.8	16.3	16.7	17.1	17.6
% Ch	9.2	7.7	11.0	10.9	10.8	10.8	11.3	11.3
Aerospace	79.2	79.2	80.2	81.2	81.9	82.7	83.4	84.2
% Ch	135.9	0.0	5.1	5.1	3.7	3.7	3.7	3.6
Other Trans. Equip.	14.5	14.4	14.3	14.3	14.3	14.3	14.3	14.2
% Ch	0.7	-2.4	-1.2	-0.8	-0.2	0.1	-0.7	-1.0
Instruments	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.7
% Ch	-2.1	-0.1	2.2	-0.6	-1.3	-0.3	0.0	-2.3
Other Durables	7.8	7.8	7.9	8.0	8.0	8.0	8.0	8.1
% Ch	3.8	0.3	3.0	2.6	1.6	1.5	1.3	0.6
Nonmanufacturing	2048.8	2061.3	2075.4	2088.6	2103.5	2118.1	2132.3	2147.4
% Ch	2.7	2.5	2.8	2.6	2.9	2.8	2.7	2.9
Mining	3.5	3.5	3.5	3.5	3.5	3.5	3.6	3.6
% Ch	9.5	2.0	1.6	1.8	1.6	1.7	1.5	1.6
Construction	122.9	122.7	123.9	124.0	124.5	124.6	124.8	125.2
% Ch	-0.5	-0.5	3.8	0.4	1.5	0.4	0.6	1.1
Trans., Comm. and Utilities	122.7	123.2	123.7	124.3	124.9	125.5	126.1	126.7
% Ch	4.3	1.5	1.9	1.8	2.0	1.9	1.9	2.0
Wholesale Trade	146.7	147.3	147.9	148.6	149.3	150.1	150.8	151.6
% Ch	3.1	1.5	1.7	1.8	2.0	2.1	2.0	2.1
Retail Trade	444.2	446.9	449.9	453.0	456.4	459.6	462.8	466.0
% Ch	1.0	2.4	2.7	2.8	3.1	2.8	2.8	2.8
Finance-Insurance-Real Estate	123.7	124.1	124.8	125.3	125.9	126.4	126.8	127.2
% Ch	2.7	1.1	2.4	1.6	2.0	1.4	1.4	1.4
Services	636.2	641.6	647.4	653.5	660.3	667.6	674.4	681.3
% Ch	2.8	3.5	3.7	3.8	4.2	4.5	4.1	4.2
State and Local Government	378.8	381.6	384.2	386.9	389.5	392.1	394.6	397.8
% Ch	4.6	3.1	2.7	2.9	2.7	2.6	2.7	3.2
Federal Government	70.2	70.4	70.0	69.5	69.1	68.7	68.4	68.0
% Ch	3.0	1.6	-2.4	-3.0	-2.3	-2.3	-1.8	-2.3

TABLE 2.4
Washington Nonagricultural Employment by Industry
Forecast 1996 to 1999

	1998:1	1998:2	1998:3	1998:4	1999:1	1999:2	1999:3	1999:4
Wage and Salary Employment	2510.0	2527.7	2545.7	2563.2	2579.8	2596.6	2613.8	2630.1
% Ch	2.9	2.8	2.9	2.8	2.6	2.6	2.7	2.5
Manufacturing	346.5	348.3	350.1	351.7	353.5	355.3	357.1	358.8
% Ch	2.3	2.1	2.1	1.9	2.0	2.0	2.1	2.0
Nondurable Manufacturing	112.5	113.0	113.5	114.0	114.5	115.0	115.5	116.0
% Ch	2.3	1.9	1.8	1.6	1.9	1.6	1.7	1.7
Food and Kindred Products	43.4	43.6	43.8	44.0	44.3	44.5	44.6	44.9
% Ch	3.4	2.3	1.9	1.8	2.6	1.6	1.5	1.9
Pulp and Paper	17.7	17.7	17.7	17.8	17.8	17.8	17.8	17.8
% Ch	0.1	0.3	0.3	0.1	0.2	0.3	0.4	0.3
Apparel	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
% Ch	-0.2	0.0	0.3	-0.7	-1.2	-0.3	0.3	-0.5
Printing	25.4	25.5	25.7	25.9	26.1	26.3	26.5	26.6
% Ch	3.0	3.0	3.0	2.9	2.8	2.7	2.8	2.7
Chemicals	5.6	5.6	5.6	5.7	5.7	5.7	5.7	5.8
% Ch	2.3	2.0	1.8	1.6	1.7	1.6	1.6	1.9
Other Nondurables	11.3	11.3	11.4	11.5	11.5	11.6	11.7	11.8
% Ch	2.3	2.4	2.4	2.2	2.2	2.7	2.9	2.7
Durable Manufacturing	234.0	235.2	236.5	237.7	239.0	240.3	241.6	242.9
% Ch	2.3	2.2	2.3	2.1	2.1	2.2	2.2	2.1
Lumber and Wood	34.9	34.8	34.7	34.7	34.6	34.6	34.5	34.5
% Ch	0.1	-0.7	-0.8	-0.8	-0.7	-0.4	-0.6	-0.4
Furniture	4.0	4.0	4.0	4.1	4.1	4.1	4.1	4.1
% Ch	2.6	2.4	2.6	2.5	1.9	1.8	2.2	2.1
Stone-Clay-Glass	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.1
% Ch	0.6	0.7	0.7	0.7	0.6	0.5	0.5	0.5
Primary Metals	11.6	11.7	11.7	11.7	11.7	11.7	11.7	11.8
% Ch	0.9	0.5	0.6	0.7	0.5	0.5	0.8	1.1
Fabricated Metals	13.9	13.9	14.0	14.0	14.1	14.1	14.2	14.2
% Ch	1.9	1.8	1.5	1.3	1.5	1.2	1.4	1.4
Nonelectrical Machinery	22.8	22.9	22.9	23.0	23.1	23.1	23.2	23.3
% Ch	1.6	1.3	1.3	1.1	1.0	1.1	1.2	1.2
Electrical Machinery	18.0	18.5	18.9	19.3	19.7	20.1	20.5	20.9
% Ch	10.6	9.4	9.8	9.4	8.5	8.4	8.3	8.1
Aerospace	84.9	85.7	86.4	87.2	87.9	88.7	89.4	90.2
% Ch	3.6	3.6	3.5	3.5	3.5	3.5	3.4	3.4
Other Trans. Equip.	14.2	14.1	14.1	14.1	14.1	14.1	14.1	14.1
% Ch	-1.4	-1.2	-0.4	-0.4	0.1	0.1	0.0	-0.7
Instruments	12.6	12.6	12.6	12.5	12.5	12.5	12.5	12.5
% Ch	-1.8	-0.8	-0.3	-1.8	-0.6	0.4	0.5	-1.4
Other Durables	8.1	8.1	8.1	8.1	8.1	8.2	8.2	8.2
% Ch	0.6	1.4	1.6	0.5	0.3	1.2	2.0	1.2
Nonmanufacturing	2163.5	2179.4	2195.6	2211.5	2226.3	2241.4	2256.7	2271.3
% Ch	3.0	3.0	3.0	2.9	2.7	2.7	2.8	2.6
Mining	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7
% Ch	1.8	1.9	1.9	1.9	1.7	1.7	1.7	1.6
Construction	125.6	126.0	126.5	126.9	127.2	127.5	127.8	128.1
% Ch	1.3	1.5	1.4	1.2	1.0	1.0	0.9	0.9
Trans., Comm. and Utilities	127.4	128.1	128.8	129.4	130.0	130.7	131.3	131.9
% Ch	2.2	2.1	2.1	2.1	1.9	2.0	2.0	1.9
Wholesale Trade	152.4	153.3	154.2	155.2	156.1	157.1	158.1	159.1
% Ch	2.2	2.3	2.4	2.5	2.5	2.5	2.6	2.5
Retail Trade	469.7	473.6	477.6	481.6	485.8	490.1	494.3	498.3
% Ch	3.2	3.3	3.4	3.4	3.5	3.6	3.5	3.3
Finance-Insurance-Real Estate	127.8	128.3	128.8	129.2	129.8	130.3	130.8	131.2
% Ch	1.8	1.5	1.5	1.5	1.8	1.5	1.5	1.4
Services	688.4	695.4	702.5	709.3	715.0	721.1	727.5	733.9
% Ch	4.2	4.1	4.1	3.9	3.2	3.5	3.6	3.6
State and Local Government	401.0	403.8	406.5	409.3	411.7	413.9	416.2	418.6
% Ch	3.3	2.8	2.7	2.8	2.4	2.1	2.3	2.3
Federal Government	67.6	67.3	67.2	67.0	67.0	67.0	67.1	66.5
% Ch	-2.0	-1.7	-0.8	-1.4	0.2	0.2	0.2	-3.6

TABLE 2.5

Washington Nonagricultural Employment by Industry
Historical Data

	1968	1969	1970	1971	1972	1973	1974	1975
Wage and Salary Employment	1099.7	1120.8	1080.5	1065.1	1100.0	1152.1	1199.0	1225.5
% Ch	5.2	1.9	-3.6	-1.4	3.3	4.7	4.1	2.2
Manufacturing	286.9	278.6	239.5	214.7	224.1	244.2	253.6	244.0
% Ch	3.5	-2.9	-14.0	-10.4	4.4	8.9	3.9	-3.8
Nondurable Manufacturing	75.4	75.6	74.5	71.8	72.9	74.3	76.3	75.0
% Ch	1.0	0.3	-1.4	-3.6	1.6	1.8	2.7	-1.7
Food and Kindred Products	29.5	29.8	29.0	28.2	27.7	28.6	29.0	29.0
% Ch	-0.5	1.0	-2.7	-2.6	-1.7	3.3	1.2	0.2
Pulp and Paper	19.9	20.0	19.8	18.1	18.2	17.6	17.7	16.5
% Ch	0.2	0.2	-0.8	-8.8	0.7	-3.0	0.0	-6.8
Apparel	5.4	5.4	5.5	5.6	6.3	6.6	6.9	6.3
% Ch	9.5	0.8	2.2	1.4	12.7	4.0	5.0	-8.6
Printing	10.5	10.7	10.6	10.3	10.6	11.1	11.5	11.6
% Ch	4.0	2.1	-1.2	-2.3	2.5	4.9	3.6	0.8
Chemicals	6.6	6.3	5.9	5.6	5.7	5.4	5.9	6.3
% Ch	-3.8	-4.9	-5.9	-4.7	1.3	-5.0	8.4	6.2
Other Nondurables	3.5	3.5	3.7	4.0	4.4	4.9	5.4	5.3
% Ch	6.9	-1.3	7.8	6.4	10.8	11.0	9.8	-0.9
Durable Manufacturing	211.5	203.0	165.0	142.8	151.2	169.9	177.3	169.0
% Ch	4.5	-4.0	-18.7	-13.4	5.8	12.4	4.3	-4.7
Lumber and Wood	46.0	45.2	42.2	43.3	48.9	51.7	50.8	47.1
% Ch	4.4	-1.7	-6.5	2.6	12.7	5.9	-1.9	-7.1
Furniture	3.4	3.7	3.5	3.2	2.5	2.8	2.9	2.7
% Ch	11.0	7.8	-4.5	-7.6	-22.8	11.6	3.3	-5.5
Stone-Clay-Glass	5.9	6.1	5.8	5.5	5.6	5.8	5.9	6.1
% Ch	6.0	4.4	-5.4	-5.5	2.1	3.1	2.0	4.1
Primary Metals	13.7	15.1	14.1	13.5	13.3	14.5	15.8	14.7
% Ch	3.6	10.6	-6.4	-4.4	-1.2	8.5	9.4	-7.4
Fabricated Metals	7.6	7.9	7.4	6.9	7.6	8.2	8.7	10.1
% Ch	-4.0	4.4	-6.9	-6.8	10.1	8.7	5.5	16.9
Nonelectrical Machinery	9.7	11.1	10.0	9.5	10.5	12.4	13.0	12.5
% Ch	-1.6	14.4	-10.4	-4.9	11.2	18.1	4.6	-4.0
Electrical Machinery	4.8	4.5	4.1	4.9	5.2	5.8	6.4	5.9
% Ch	5.6	-6.3	-7.6	19.3	4.7	11.8	10.1	-7.7
Aerospace	104.5	91.2	61.5	40.5	41.1	50.1	54.1	50.4
% Ch	5.9	-12.8	-32.6	-34.1	1.4	21.9	7.9	-6.9
Other Trans. Equip.	13.2	15.1	13.3	12.1	12.2	13.4	14.4	13.8
% Ch	1.5	14.9	-12.1	-9.4	1.1	9.7	7.4	-3.6
Instruments	NA	NA	NA	NA	NA	NA	NA	2.1
% Ch	NA	NA	NA	NA	NA	NA	NA	NA
Other Durables	NA	NA	NA	NA	NA	NA	NA	3.5
% Ch	NA	NA	NA	NA	NA	NA	NA	NA
Nonmanufacturing	812.8	842.2	840.9	850.5	875.9	907.9	945.4	981.5
% Ch	5.8	3.6	-0.1	1.1	3.0	3.7	4.1	3.8
Mining	1.6	1.6	1.7	1.7	1.9	1.9	2.0	2.0
% Ch	-9.7	1.8	3.9	0.7	9.1	2.6	6.4	-1.0
Construction	58.9	57.6	53.4	53.8	54.5	58.1	57.1	59.5
% Ch	4.6	-2.2	-7.2	0.7	1.3	6.5	-1.7	4.2
Trans., Comm. and Utilities	71.6	73.7	72.2	70.2	70.8	72.8	73.8	72.5
% Ch	3.8	2.9	-2.1	-2.7	0.8	2.8	1.4	-1.8
Wholesale Trade	62.4	64.9	64.6	62.8	70.0	73.9	77.3	79.5
% Ch	2.6	4.0	-0.4	-2.9	11.5	5.6	4.6	2.9
Retail Trade	173.3	180.2	176.3	177.0	179.7	188.8	196.6	206.1
% Ch	4.7	4.0	-2.1	0.4	1.5	5.1	4.1	4.8
Finance-Insurance-Real Estate	55.3	58.3	58.4	57.9	58.8	61.4	63.3	65.0
% Ch	8.8	5.6	0.1	-0.8	1.5	4.4	3.1	2.7
Services	159.6	168.5	169.7	174.5	181.5	192.1	206.0	216.6
% Ch	9.5	5.6	0.7	2.9	4.0	5.9	7.2	5.1
State and Local Government	169.5	177.8	186.5	196.0	202.7	202.9	209.4	219.6
% Ch	7.0	4.9	4.9	5.1	3.4	0.1	3.2	4.9
Federal Government	60.7	59.6	58.1	56.4	56.1	56.1	60.0	60.8
% Ch	0.8	-1.8	-2.5	-2.9	-0.7	0.1	6.9	1.4

TABLE 2.5

Washington Nonagricultural Employment by Industry
Historical Data

	1976	1977	1978	1979	1980	1981	1982	1983
Wage and Salary Employment	1282.9	1366.9	1485.5	1581.1	1609.0	1612.0	1568.8	1586.0
% Ch	4.7	6.5	8.7	6.4	1.8	0.2	-2.7	1.1
Manufacturing	247.4	260.1	284.7	309.7	308.8	303.3	289.0	278.3
% Ch	1.4	5.1	9.5	8.8	-0.3	-1.8	-4.7	-3.7
Nondurable Manufacturing	79.0	82.8	83.1	87.4	87.6	86.5	85.5	85.6
% Ch	5.4	4.9	0.3	5.1	0.3	-1.3	-1.2	0.1
Food and Kindred Products	30.4	31.6	32.8	32.9	32.0	31.7	31.8	31.1
% Ch	4.7	4.1	3.7	0.3	-2.8	-0.9	0.3	-2.2
Pulp and Paper	17.4	17.6	14.0	15.9	17.6	17.2	16.1	15.8
% Ch	5.8	1.2	-20.5	13.2	10.8	-2.0	-6.4	-2.0
Apparel	7.0	7.4	7.4	7.2	6.5	5.7	5.7	5.9
% Ch	10.4	6.0	-0.1	-1.9	-9.9	-12.5	0.2	2.8
Printing	12.0	12.9	14.0	15.4	15.8	15.8	15.8	16.0
% Ch	3.7	7.4	8.6	9.7	2.8	-0.1	-0.2	1.6
Chemicals	6.5	7.3	7.9	8.6	8.7	9.2	9.5	10.1
% Ch	4.4	11.0	9.4	8.3	1.3	5.7	3.2	5.9
Other Nondurables	5.7	6.0	7.0	7.4	7.0	6.9	6.6	6.7
% Ch	6.9	6.3	15.6	5.8	-4.6	-2.0	-4.2	1.8
Durable Manufacturing	168.4	177.2	201.6	222.4	221.2	216.7	203.5	192.7
% Ch	-0.4	5.3	13.8	10.3	-0.5	-2.0	-6.1	-5.3
Lumber and Wood	50.9	54.0	55.1	53.9	47.0	44.4	39.4	42.2
% Ch	8.1	6.1	2.0	-2.1	-12.8	-5.7	-11.3	7.0
Furniture	2.9	3.0	3.2	3.3	3.3	3.3	2.9	3.2
% Ch	6.1	5.0	4.4	2.4	2.1	-1.3	-11.5	11.0
Stone-Clay-Glass	6.3	6.5	6.8	7.1	6.9	6.5	6.0	6.0
% Ch	2.3	3.9	4.3	5.0	-3.4	-5.3	-8.4	1.1
Primary Metals	14.6	14.6	16.4	17.4	16.7	16.3	13.7	12.6
% Ch	-0.4	0.2	12.0	6.0	-4.1	-2.2	-15.7	-8.0
Fabricated Metals	10.0	10.1	10.8	11.5	11.7	11.6	9.9	9.4
% Ch	-1.2	1.2	6.9	6.7	1.6	-1.4	-14.5	-5.5
Nonelectrical Machinery	11.9	12.3	13.5	15.1	15.0	15.1	16.6	15.3
% Ch	-4.5	3.0	10.1	11.9	-0.7	0.6	9.7	-8.0
Electrical Machinery	6.1	7.1	8.2	10.0	11.2	10.5	10.6	10.3
% Ch	3.8	16.5	15.4	21.7	12.1	-6.1	0.9	-2.6
Aerospace	45.0	46.1	59.8	72.6	79.6	79.0	74.9	65.0
% Ch	-10.7	2.5	29.6	21.5	9.6	-0.8	-5.1	-13.3
Other Trans. Equip.	14.3	16.6	20.0	21.0	18.7	18.4	17.2	15.2
% Ch	3.4	15.9	20.2	5.3	-11.0	-1.4	-6.8	-11.4
Instruments	2.4	2.8	3.5	5.6	6.3	7.4	8.4	9.4
% Ch	10.1	19.4	24.3	60.6	12.8	15.9	13.6	12.4
Other Durables	4.0	4.0	4.3	4.7	4.6	4.3	4.0	4.2
% Ch	14.2	-0.2	9.7	9.2	-2.3	-7.2	-7.4	5.0
Nonmanufacturing	1035.5	1106.8	1200.8	1271.4	1300.2	1308.8	1279.8	1307.7
% Ch	5.5	6.9	8.5	5.9	2.3	0.7	-2.2	2.2
Mining	2.1	2.3	2.8	3.0	3.2	3.1	3.0	2.7
% Ch	4.8	10.6	20.0	8.2	5.5	-3.4	-2.8	-9.8
Construction	66.9	77.5	92.6	104.2	92.9	90.4	76.4	74.1
% Ch	12.6	15.9	19.4	12.5	-10.8	-2.8	-15.5	-2.9
Trans., Comm. and Utilities	75.3	78.8	83.8	89.4	91.4	90.1	89.0	87.9
% Ch	4.0	4.6	6.3	6.7	2.2	-1.4	-1.3	-1.1
Wholesale Trade	84.0	89.1	95.5	102.3	100.6	101.7	100.9	100.5
% Ch	5.6	6.1	7.2	7.1	-1.7	1.1	-0.7	-0.4
Retail Trade	222.8	239.9	262.3	276.9	280.8	286.6	284.5	293.3
% Ch	8.1	7.7	9.3	5.6	1.4	2.0	-0.7	3.1
Finance-Insurance-Real Estate	68.2	75.0	83.3	89.4	91.8	92.3	90.7	92.3
% Ch	4.9	9.9	11.2	7.2	2.7	0.5	-1.8	1.8
Services	231.4	249.3	272.4	290.8	308.5	318.3	316.9	332.8
% Ch	6.8	7.7	9.3	6.8	6.1	3.2	-0.4	5.0
State and Local Government	223.8	232.9	244.5	250.7	263.0	259.9	252.2	256.4
% Ch	1.9	4.1	5.0	2.5	4.9	-1.2	-3.0	1.7
Federal Government	61.0	61.9	63.6	64.7	67.9	66.5	66.3	67.6
% Ch	0.4	1.5	2.7	1.7	4.9	-2.1	-0.3	1.9

TABLE 2.5

Washington Nonagricultural Employment by Industry
Historical Data

	1984	1985	1986	1987	1988	1989	1990	1991
Wage and Salary Employment	1659.7	1710.3	1769.9	1851.5	1941.1	2046.3	2142.4	2177.4
% Ch	4.6	3.0	3.5	4.6	4.8	5.4	4.7	1.6
Manufacturing	288.1	295.6	305.0	318.4	341.5	361.5	369.4	351.9
% Ch	3.5	2.6	3.2	4.4	7.3	5.8	2.2	-4.7
Nondurable Manufacturing	88.2	90.6	92.1	94.4	100.2	103.4	108.4	100.1
% Ch	3.1	2.7	1.6	2.5	6.2	3.2	4.9	-7.7
Food and Kindred Products	30.8	31.1	31.1	32.3	34.0	35.4	37.6	37.6
% Ch	-0.8	0.9	-0.1	4.0	5.1	4.1	6.3	-0.2
Pulp and Paper	16.2	16.7	16.7	16.6	17.1	17.9	18.1	17.9
% Ch	2.4	3.6	-0.3	-0.8	3.1	5.0	0.8	-1.1
Apparel	6.5	6.2	6.0	5.4	7.7	7.8	7.9	8.0
% Ch	11.0	-4.3	-3.0	-11.3	43.3	1.0	2.3	0.3
Printing	16.9	17.6	18.7	20.1	21.3	21.7	22.5	22.5
% Ch	5.1	4.5	6.2	7.4	5.8	2.0	4.0	-0.3
Chemicals	10.5	11.3	11.5	11.4	12.5	12.2	13.2	5.2
% Ch	4.4	7.2	2.0	-0.6	9.0	-1.9	8.3	-60.7
Other Nondurables	7.3	7.6	8.0	8.6	7.7	8.4	9.0	9.1
% Ch	8.9	4.1	5.6	6.8	-10.3	9.1	7.2	0.6
Durable Manufacturing	199.9	205.0	212.9	224.0	241.4	258.1	260.9	251.8
% Ch	3.7	2.5	3.9	5.2	7.7	6.9	1.1	-3.5
Lumber and Wood	41.3	38.3	38.4	40.4	41.7	41.1	39.9	36.4
% Ch	-1.9	-7.4	0.4	5.0	3.2	-1.2	-3.0	-8.9
Furniture	3.5	3.8	3.9	3.8	4.2	4.0	4.1	3.8
% Ch	8.5	8.7	1.6	-2.2	10.3	-5.0	3.8	-6.7
Stone-Clay-Glass	6.5	6.4	6.2	6.9	7.3	7.5	7.9	7.7
% Ch	6.9	-0.6	-2.7	9.8	6.9	2.3	5.8	-2.5
Primary Metals	13.4	12.7	11.6	11.3	12.6	13.0	13.0	12.3
% Ch	5.8	-4.7	-8.6	-2.6	11.4	2.6	0.3	-5.6
Fabricated Metals	9.9	9.7	10.0	10.5	10.9	11.8	12.2	11.9
% Ch	6.1	-2.4	2.8	5.0	3.9	8.5	3.6	-2.8
Nonelectrical Machinery	16.4	17.1	17.6	16.2	18.0	19.3	20.5	19.9
% Ch	7.6	3.9	2.9	-7.6	10.7	7.3	6.3	-3.1
Electrical Machinery	11.8	12.1	12.7	13.2	10.5	11.4	11.4	11.0
% Ch	14.7	2.4	4.8	3.8	-20.4	8.4	0.1	-3.7
Aerospace	66.6	76.1	84.9	92.9	101.0	113.7	116.2	115.6
% Ch	2.5	14.3	11.7	9.4	8.7	12.5	2.2	-0.6
Other Trans. Equip.	15.6	13.5	12.6	13.3	15.1	15.3	14.8	12.8
% Ch	2.4	-13.3	-7.0	5.8	13.8	1.1	-3.3	-13.7
Instruments	10.2	10.7	10.4	10.8	14.6	15.2	14.7	13.8
% Ch	8.9	5.0	-2.9	3.3	35.6	4.0	-3.4	-5.6
Other Durables	4.6	4.5	4.5	4.8	5.4	5.9	6.1	6.7
% Ch	11.2	-3.2	1.3	4.6	14.4	7.6	4.8	8.4
Nonmanufacturing	1371.7	1414.7	1464.9	1533.1	1599.5	1684.8	1773.0	1825.5
% Ch	4.9	3.1	3.5	4.7	4.3	5.3	5.2	3.0
Mining	2.6	2.7	2.9	3.0	3.3	3.6	3.7	3.7
% Ch	-1.8	1.4	8.9	4.5	7.1	9.2	5.1	-2.2
Construction	79.5	80.4	84.4	88.8	96.5	106.7	117.3	118.2
% Ch	7.2	1.1	5.0	5.2	8.6	10.6	9.9	0.8
Trans., Comm. and Utilities	91.2	93.6	96.2	98.5	101.8	108.3	113.0	111.9
% Ch	3.7	2.6	2.8	2.4	3.4	6.3	4.4	-1.0
Wholesale Trade	104.7	105.7	107.3	111.3	116.3	123.8	128.5	130.2
% Ch	4.2	1.0	1.5	3.8	4.4	6.5	3.8	1.3
Retail Trade	306.8	314.9	329.1	346.7	360.8	378.2	392.9	397.0
% Ch	4.6	2.6	4.5	5.3	4.1	4.8	3.9	1.0
Finance-Insurance-Real Estate	95.7	99.6	104.9	107.5	109.2	112.2	115.5	116.9
% Ch	3.7	4.1	5.3	2.4	1.6	2.8	2.9	1.3
Services	356.6	375.0	390.9	420.1	443.0	472.2	504.3	536.0
% Ch	7.1	5.2	4.3	7.5	5.5	6.6	6.8	6.3
State and Local Government	265.7	272.8	279.8	286.6	297.4	307.8	323.9	338.7
% Ch	3.6	2.7	2.6	2.4	3.8	3.5	5.2	4.6
Federal Government	68.9	70.1	69.2	70.6	71.4	72.1	73.7	72.9
% Ch	1.9	1.7	-1.2	2.0	1.1	0.9	2.3	-1.1

TABLE 3.1

U.S. Personal Income by Component
Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Personal Income	5154.4	5375.1	5701.7	6047.9	6323.8	6600.2	6895.4	7233.9
% Ch	6.1	4.3	6.1	6.1	4.6	4.4	4.5	4.9
Total Wage and Salary Disbursements	2974.8	3080.8	3279.0	3447.0	3609.8	3769.8	3940.6	4128.8
% Ch	5.6	3.6	6.4	5.1	4.7	4.4	4.5	4.8
Nonwage Personal Income	2179.6	2294.3	2422.8	2601.0	2714.0	2830.4	2954.8	3105.1
% Ch	6.6	5.3	5.6	7.4	4.3	4.3	4.4	5.1
Other Labor Income	328.7	355.3	381.0	405.3	422.4	451.9	485.1	519.8
% Ch	9.9	8.1	7.2	6.4	4.2	7.0	7.3	7.2
Proprietor's Income	418.7	441.6	473.7	495.6	509.0	526.2	549.6	576.5
% Ch	11.3	5.5	7.3	4.6	2.7	3.4	4.4	4.9
Farm	44.4	37.3	39.5	40.4	45.7	44.5	46.6	48.5
% Ch	21.1	-15.9	5.9	2.2	13.1	-2.6	4.7	4.0
Nonfarm	374.4	404.3	434.2	455.2	463.3	481.7	503.0	528.0
% Ch	10.3	8.0	7.4	4.8	1.8	4.0	4.4	5.0
Less: Pers Cont. For Social Ins.	248.7	261.3	281.4	297.2	311.1	326.3	344.4	361.3
% Ch	5.3	5.1	7.7	5.6	4.7	4.9	5.6	4.9
Dividends/Int./Rent	820.6	843.4	886.0	973.4	1010.8	1042.1	1071.2	1112.1
% Ch	-1.7	2.8	5.1	9.9	3.8	3.1	2.8	3.8
Transfer Payments	860.2	915.4	963.4	1024.0	1082.9	1136.4	1193.3	1258.0
% Ch	11.7	6.4	5.2	6.3	5.8	4.9	5.0	5.4

TABLE 3.2

U.S. Personal Income by Component
Forecast 1996 to 1999

	1994:1	1994:2	1994:3	1994:4	1995:1	1995:2	1995:3	1995:4
Personal Income	5555.8	5659.9	5734.5	5856.6	5962.0	6008.1	6075.8	6145.9
% Ch	5.3	7.7	5.4	8.8	7.4	3.1	4.6	4.7
Total Wage and Salary Disbursements	3208.3	3257.2	3293.9	3356.4	3403.4	3422.3	3462.7	3499.5
% Ch	7.8	6.2	4.6	7.8	5.7	2.2	4.8	4.3
Nonwage Personal Income	2347.5	2402.7	2440.6	2500.2	2558.6	2585.8	2613.1	2646.4
% Ch	1.9	9.7	6.5	10.1	9.7	4.3	4.3	5.2
Other Labor Income	373.2	378.4	383.7	388.7	399.6	403.9	407.8	409.9
% Ch	7.2	5.7	5.7	5.3	11.7	4.4	3.9	2.0
Proprietor's Income	471.0	471.2	466.9	485.7	493.6	487.2	492.3	509.3
% Ch	7.2	0.2	-3.6	17.1	6.7	-5.1	4.3	14.5
Farm	47.2	39.3	29.8	41.7	44.4	35.0	34.0	48.2
% Ch	27.7	-51.9	-66.9	283.4	28.5	-61.4	-10.9	302.4
Nonfarm	423.8	431.9	437.1	444.0	449.2	452.2	458.3	461.1
% Ch	5.2	7.9	4.9	6.5	4.8	2.7	5.5	2.5
Less: Pers Cont. For Social Ins.	276.3	279.9	282.9	286.6	293.8	295.4	298.4	301.2
% Ch	15.4	5.3	4.4	5.3	10.4	2.2	4.1	3.8
Dividends/Int./Rent	832.1	875.2	903.7	932.8	954.5	971.6	980.4	986.9
% Ch	-4.7	22.4	13.7	13.5	9.6	7.4	3.7	2.7
Transfer Payments	947.4	957.6	969.0	979.7	1004.8	1018.6	1031.0	1041.5
% Ch	7.2	4.4	4.8	4.5	10.6	5.6	5.0	4.1

TABLE 3.2

U.S. Personal Income by Component
Forecast 1996 to 1999

	1996:1	1996:2	1996:3	1996:4	1997:1	1997:2	1997:3	1997:4
Personal Income	6236.3	6290.8	6344.5	6423.4	6503.5	6567.9	6627.3	6702.1
% Ch	6.0	3.5	3.5	5.1	5.1	4.0	3.7	4.6
Total Wage and Salary Disbursements	3558.8	3588.1	3625.8	3666.3	3709.0	3749.8	3789.4	3831.0
% Ch	7.0	3.3	4.3	4.6	4.7	4.5	4.3	4.5
Nonwage Personal Income	2677.5	2702.7	2718.8	2757.1	2794.5	2818.1	2837.9	2871.1
% Ch	4.8	3.8	2.4	5.8	5.5	3.4	2.8	4.8
Other Labor Income	412.5	418.5	425.6	432.8	440.4	447.9	455.6	463.7
% Ch	2.5	6.0	7.0	6.9	7.3	6.9	7.1	7.3
Proprietor's Income	509.9	507.6	502.3	516.2	520.5	525.4	523.4	535.7
% Ch	0.5	-1.8	-4.1	11.6	3.4	3.8	-1.5	9.8
Farm	49.2	47.6	38.4	47.6	46.7	46.2	39.0	46.2
% Ch	8.6	-12.3	-57.5	136.2	-7.6	-4.2	-49.3	97.8
Nonfarm	460.7	460.0	463.9	468.6	473.8	479.2	484.4	489.5
% Ch	-0.4	-0.6	3.4	4.2	4.5	4.6	4.4	4.3
Less: Pers Cont. For Social Ins.	307.5	309.0	312.3	315.4	321.0	324.6	328.0	331.5
% Ch	8.6	2.0	4.3	4.1	7.3	4.5	4.3	4.3
Dividends/Int./Rent	997.5	1007.0	1015.4	1023.2	1032.4	1037.1	1046.3	1052.5
% Ch	4.3	3.9	3.4	3.1	3.7	1.8	3.6	2.4
Transfer Payments	1065.2	1078.6	1087.7	1100.3	1122.2	1132.3	1140.5	1150.7
% Ch	9.4	5.1	3.4	4.7	8.2	3.7	2.9	3.6

TABLE 3.2

U.S. Personal Income by Component
Forecast 1996 to 1999

	1998:1	1998:2	1998:3	1998:4	1999:1	1999:2	1999:3	1999:4
Personal Income	6789.9	6860.7	6926.2	7004.9	7106.3	7190.8	7271.7	7366.6
% Ch	5.3	4.2	3.9	4.6	5.9	4.8	4.6	5.3
Total Wage and Salary Disbursements	3877.5	3919.7	3961.7	4003.5	4056.0	4104.2	4153.2	4201.7
% Ch	5.0	4.4	4.4	4.3	5.3	4.8	4.9	4.8
Nonwage Personal Income	2912.4	2941.0	2964.5	3001.3	3050.3	3086.7	3118.5	3164.9
% Ch	5.9	4.0	3.2	5.1	6.7	4.9	4.2	6.1
Other Labor Income	472.6	480.9	489.2	497.7	507.3	516.4	524.0	531.5
% Ch	7.9	7.2	7.1	7.1	8.0	7.3	6.0	5.8
Proprietor's Income	542.6	547.6	547.4	560.9	567.6	574.0	574.9	589.4
% Ch	5.2	3.8	-0.1	10.2	4.9	4.6	0.6	10.5
Farm	47.5	47.2	41.7	50.1	49.7	49.2	43.4	51.6
% Ch	11.5	-2.5	-39.2	108.5	-3.1	-3.8	-39.3	99.6
Nonfarm	495.1	500.4	505.8	510.8	518.0	524.8	531.5	537.7
% Ch	4.6	4.4	4.4	4.1	5.7	5.4	5.2	4.8
Less: Pers Cont. for Social Ins.	339.2	342.9	346.3	349.4	355.7	359.3	363.0	367.3
% Ch	9.7	4.4	4.1	3.6	7.4	4.1	4.2	4.8
Dividends/Int./Rent	1060.6	1068.1	1074.7	1081.4	1094.5	1104.9	1118.1	1131.1
% Ch	3.1	2.8	2.5	2.5	4.9	3.9	4.8	4.7
Transfer Payments	1175.8	1187.3	1199.5	1210.7	1236.5	1250.6	1264.5	1280.3
% Ch	9.0	4.0	4.2	3.8	8.8	4.7	4.5	5.1

TABLE 3.3

Washington Personal Income by Component
Forecast 1996 to 1999

	1992	1993	1994	1995	1996	1997	1998	1999
Personal Income	109.702	114.842	120.444	127.626	134.463	141.412	149.231	158.299
% Ch	8.4	4.7	4.9	6.0	5.4	5.2	5.5	6.1
Total Wage and Salary Disbursements	62.934	64.636	67.688	71.455	75.642	79.725	84.304	89.481
% Ch	8.6	2.7	4.7	5.6	5.9	5.4	5.7	6.1
Manufacturing	12.360	12.074	12.318	12.733	13.401	13.984	14.758	15.637
% Ch	5.4	-2.3	2.0	3.4	5.2	4.3	5.5	6.0
Nondurable Manufacturing	2.962	3.116	3.304	3.456	3.603	3.781	3.983	4.203
% Ch	4.8	5.2	6.1	4.6	4.2	4.9	5.3	5.5
Durable Manufacturing	9.399	8.959	9.014	9.277	9.799	10.203	10.776	11.433
% Ch	5.5	-4.7	0.6	2.9	5.6	4.1	5.6	6.1
Nonmanufacturing	47.805	49.814	52.534	55.792	59.224	62.601	66.275	70.411
% Ch	9.7	4.2	5.5	6.2	6.1	5.7	5.9	6.2
Other Private Wages	0.654	0.627	0.655	0.669	0.704	0.754	0.810	0.875
% Ch	2.4	-4.1	4.4	2.2	5.2	7.1	7.4	8.0
Farm Wages	0.451	0.483	0.527	0.552	0.569	0.588	0.608	0.631
% Ch	-1.8	7.1	9.1	4.7	3.2	3.3	3.5	3.8
Military Wages	1.665	1.638	1.654	1.708	1.744	1.798	1.852	1.926
% Ch	6.6	-1.6	1.0	3.3	2.1	3.1	3.0	4.0
Nonwage Personal Income	46.768	50.206	52.757	56.172	58.821	61.687	64.927	68.818
% Ch	8.1	7.4	5.1	6.5	4.7	4.9	5.3	6.0
Other Labor Income	6.085	6.550	7.049	7.561	7.941	8.605	9.355	10.170
% Ch	12.9	7.6	7.6	7.3	5.0	8.4	8.7	8.7
Proprietor's Income	10.489	11.442	11.803	12.257	12.670	13.206	13.898	14.699
% Ch	12.3	9.1	3.2	3.8	3.4	4.2	5.2	5.8
Farm	1.072	1.299	0.876	0.866	1.015	0.996	1.032	1.066
% Ch	20.4	21.3	-32.6	-1.2	17.2	-1.9	3.6	3.3
Nonfarm	9.418	10.143	10.927	11.391	11.655	12.210	12.866	13.633
% Ch	11.5	7.7	7.7	4.3	2.3	4.8	5.4	6.0
Less: Pers. Cont. for Social Ins.	4.949	5.152	5.532	5.863	6.171	6.538	6.976	7.411
% Ch	7.5	4.1	7.4	6.0	5.3	6.0	6.7	6.2
Plus: Residence Adjustment	1.062	1.140	1.244	1.355	1.426	1.501	1.581	1.666
% Ch	8.1	7.4	9.1	8.9	5.2	5.3	5.3	5.4
Dividends/Int./Rent	16.954	17.757	18.766	20.414	21.263	22.057	22.879	23.983
% Ch	2.6	4.7	5.7	8.8	4.2	3.7	3.7	4.8
Transfer Payments	17.129	18.471	19.428	20.448	21.693	22.856	24.191	25.711
% Ch	9.6	7.8	5.2	5.2	6.1	5.4	5.8	6.3
State U.I. Benefits	0.902	1.088	1.007	0.826	0.920	0.917	0.924	0.948
% Ch	37.8	20.6	-7.4	-17.9	11.4	-0.4	0.8	2.7
Other Transfers	16.227	17.383	18.421	19.621	20.772	21.939	23.267	24.763
% Ch	8.4	7.1	6.0	6.5	5.9	5.6	6.1	6.4

TABLE 3.4

Washington Personal Income by Component
Forecast 1996 to 1999

	1994:1	1994:2	1994:3	1994:4	1995:1	1995:2	1995:3	1995:4
Personal Income	117.231	119.932	120.839	123.775	124.804	127.171	128.589	129.941
% Ch	-0.7	9.5	3.1	10.1	3.4	7.8	4.5	4.3
Total Wage and Salary Disbursements	66.023	67.642	67.693	69.392	69.785	71.341	72.012	72.680
% Ch	2.7	10.2	0.3	10.4	2.3	9.2	3.8	3.8
Manufacturing	12.083	12.446	12.089	12.653	12.833	12.751	12.796	12.554
% Ch	-3.9	12.6	-11.0	20.0	5.8	-2.5	1.4	-7.4
Nondurable Manufacturing	3.203	3.263	3.319	3.432	3.419	3.433	3.457	3.516
% Ch	-0.6	7.7	7.0	14.3	-1.5	1.6	2.8	7.0
Durable Manufacturing	8.880	9.183	8.770	9.221	9.414	9.318	9.339	9.038
% Ch	-5.1	14.4	-16.8	22.2	8.6	-4.0	0.9	-12.3
Nonmanufacturing	51.125	52.411	52.761	53.840	54.037	55.647	56.296	57.190
% Ch	4.3	10.4	2.7	8.4	1.5	12.5	4.7	6.5
Other Private Wages	0.649	0.626	0.651	0.693	0.648	0.689	0.663	0.676
% Ch	-19.4	-13.4	17.0	28.4	-23.6	27.8	-14.3	7.8
Farm Wages	0.516	0.525	0.530	0.536	0.544	0.551	0.554	0.558
% Ch	16.2	7.2	3.9	4.6	6.1	5.2	2.1	3.0
Military Wages	1.650	1.634	1.662	1.670	1.723	1.703	1.703	1.703
% Ch	10.3	-3.8	7.0	1.9	13.3	-4.6	0.0	0.0
Nonwage Personal Income	51.208	52.290	53.146	54.383	55.019	55.830	56.577	57.261
% Ch	-5.0	8.7	6.7	9.6	4.8	6.0	5.5	4.9
Other Labor Income	6.816	7.044	7.078	7.256	7.403	7.557	7.607	7.677
% Ch	3.2	14.1	1.9	10.4	8.4	8.6	2.7	3.7
Proprietor's Income	11.556	11.719	11.699	12.237	12.035	12.071	12.313	12.609
% Ch	-23.4	5.8	-0.7	19.7	-6.4	1.2	8.2	10.0
Farm	0.861	0.847	0.695	1.102	0.803	0.787	0.820	1.053
% Ch	-94.9	-6.3	-54.7	532.1	-71.8	-7.7	18.1	171.6
Nonfarm	10.695	10.872	11.004	11.135	11.232	11.284	11.492	11.555
% Ch	6.1	6.8	4.9	4.8	3.5	1.9	7.6	2.2
Less: Pers. Cont. for Social Ins.	5.382	5.527	5.549	5.669	5.764	5.838	5.885	5.963
% Ch	11.9	11.2	1.6	8.9	6.9	5.2	3.3	5.4
Plus: Residence Adjustment	1.207	1.221	1.254	1.294	1.329	1.349	1.363	1.379
% Ch	11.0	4.7	11.3	13.4	11.3	6.2	4.1	4.8
Dividends/Int./Rent	17.861	18.457	19.078	19.666	20.035	20.353	20.556	20.713
% Ch	0.7	14.0	14.2	12.9	7.7	6.5	4.0	3.1
Transfer Payments	19.150	19.376	19.586	19.599	19.981	20.338	20.624	20.847
% Ch	3.7	4.8	4.4	0.3	8.0	7.3	5.8	4.4
State U.I. Benefits	1.103	1.058	1.032	0.833	0.733	0.826	0.873	0.873
% Ch	-42.9	-15.3	-9.5	-57.6	-40.0	61.3	24.9	-0.2
Other Transfers	18.047	18.318	18.554	18.766	19.248	19.512	19.751	19.974
% Ch	7.9	6.1	5.3	4.6	10.7	5.6	5.0	4.6

TABLE 3.4

Washington Personal Income by Component
Forecast 1996 to 1999

	1996:1	1996:2	1996:3	1996:4	1997:1	1997:2	1997:3	1997:4
Personal Income	132.540	133.513	135.000	136.801	138.771	140.506	142.234	144.137
% Ch	8.2	3.0	4.5	5.4	5.9	5.1	5.0	5.5
Total Wage and Salary Disbursements	74.602	74.990	75.980	76.996	78.090	79.186	80.253	81.371
% Ch	11.0	2.1	5.4	5.5	5.8	5.7	5.5	5.7
Manufacturing	13.528	13.188	13.356	13.533	13.700	13.884	14.077	14.274
% Ch	34.9	-9.7	5.2	5.4	5.0	5.5	5.7	5.7
Nondurable Manufacturing	3.545	3.580	3.621	3.665	3.708	3.755	3.804	3.856
% Ch	3.4	4.0	4.6	5.0	4.8	5.1	5.4	5.6
Durable Manufacturing	9.983	9.608	9.735	9.868	9.992	10.129	10.273	10.417
% Ch	48.9	-14.2	5.4	5.6	5.1	5.6	5.8	5.7
Nonmanufacturing	58.078	58.793	59.601	60.422	61.276	62.171	63.028	63.931
% Ch	6.4	5.0	5.6	5.6	5.8	6.0	5.6	5.9
Other Private Wages	0.688	0.698	0.708	0.721	0.735	0.748	0.760	0.773
% Ch	7.7	5.6	6.1	7.5	8.1	6.9	6.7	7.4
Farm Wages	0.563	0.567	0.571	0.576	0.581	0.586	0.590	0.595
% Ch	3.5	3.2	3.0	3.3	3.5	3.2	3.2	3.4
Military Wages	1.744	1.744	1.744	1.744	1.798	1.798	1.798	1.798
% Ch	10.0	0.0	0.0	0.0	13.0	0.0	0.0	0.0
Nonwage Personal Income	57.938	58.522	59.020	59.804	60.680	61.320	61.980	62.766
% Ch	4.8	4.1	3.4	5.4	6.0	4.3	4.4	5.2
Other Labor Income	7.718	7.856	8.016	8.173	8.343	8.514	8.689	8.872
% Ch	2.2	7.3	8.4	8.1	8.6	8.4	8.5	8.7
Proprietor's Income	12.607	12.608	12.619	12.845	12.979	13.136	13.236	13.474
% Ch	-0.1	0.0	0.3	7.4	4.3	4.9	3.1	7.4
Farm	1.062	1.042	0.936	1.021	1.013	1.011	0.941	1.019
% Ch	3.2	-7.2	-34.9	41.5	-3.0	-0.7	-24.9	37.2
Nonfarm	11.545	11.566	11.683	11.824	11.967	12.125	12.295	12.455
% Ch	-0.4	0.7	4.1	4.9	4.9	5.4	5.7	5.3
Less: Pers. Cont. for Social Ins.	6.075	6.124	6.204	6.281	6.405	6.495	6.582	6.671
% Ch	7.7	3.2	5.4	5.0	8.2	5.7	5.5	5.5
Plus: Residence Adjustment	1.397	1.417	1.435	1.454	1.472	1.491	1.510	1.530
% Ch	5.5	5.7	5.3	5.2	5.2	5.3	5.2	5.3
Dividends/Int./Rent	20.952	21.170	21.369	21.561	21.789	21.928	22.167	22.346
% Ch	4.7	4.2	3.8	3.6	4.3	2.6	4.4	3.3
Transfer Payments	21.338	21.595	21.786	22.052	22.502	22.745	22.961	23.216
% Ch	9.8	4.9	3.6	5.0	8.4	4.4	3.8	4.5
State U.I. Benefits	0.915	0.925	0.922	0.919	0.918	0.918	0.916	0.915
% Ch	20.9	4.5	-1.3	-1.2	-0.6	-0.1	-0.6	-0.6
Other Transfers	20.423	20.670	20.864	21.133	21.584	21.827	22.045	22.301
% Ch	9.3	4.9	3.8	5.3	8.8	4.6	4.0	4.7

TABLE 3.4

Washington Personal Income by Component
Forecast 1996 to 1999

	1998:1	1998:2	1998:3	1998:4	1999:1	1999:2	1999:3	1999:4
Personal Income	146.314	148.240	150.156	152.214	154.811	157.117	159.420	161.847
% Ch	6.2	5.4	5.3	5.6	7.0	6.1	6.0	6.2
Total Wage and Salary Disbursements	82.560	83.710	84.880	86.065	87.465	88.802	90.158	91.498
% Ch	6.0	5.7	5.7	5.7	6.7	6.3	6.3	6.1
Manufacturing	14.467	14.659	14.856	15.052	15.284	15.517	15.754	15.991
% Ch	5.5	5.4	5.5	5.4	6.3	6.3	6.3	6.2
Nondurable Manufacturing	3.908	3.958	4.007	4.056	4.116	4.174	4.232	4.292
% Ch	5.5	5.2	5.0	5.0	6.0	5.7	5.7	5.8
Durable Manufacturing	10.558	10.701	10.848	10.996	11.168	11.344	11.522	11.699
% Ch	5.5	5.5	5.6	5.6	6.4	6.5	6.4	6.3
Nonmanufacturing	64.852	65.790	66.745	67.714	68.783	69.863	70.960	72.039
% Ch	5.9	5.9	5.9	5.9	6.5	6.4	6.4	6.2
Other Private Wages	0.789	0.803	0.816	0.831	0.850	0.866	0.883	0.900
% Ch	8.4	7.1	6.9	7.4	9.5	8.0	7.8	8.1
Farm Wages	0.601	0.606	0.611	0.616	0.622	0.628	0.634	0.641
% Ch	3.6	3.5	3.4	3.5	4.1	3.9	3.9	4.0
Military Wages	1.852	1.852	1.852	1.852	1.926	1.926	1.926	1.926
% Ch	12.6	0.0	0.0	0.0	17.0	0.0	0.0	0.0
Nonwage Personal Income	63.754	64.530	65.276	66.149	67.346	68.315	69.261	70.349
% Ch	6.4	5.0	4.7	5.5	7.4	5.9	5.7	6.4
Other Labor Income	9.066	9.255	9.450	9.651	9.872	10.084	10.270	10.452
% Ch	9.0	8.6	8.7	8.8	9.5	8.9	7.6	7.3
Proprietor's Income	13.651	13.812	13.938	14.190	14.392	14.601	14.762	15.044
% Ch	5.4	4.8	3.7	7.4	5.8	5.9	4.5	7.9
Farm	1.035	1.036	0.984	1.073	1.073	1.072	1.017	1.103
% Ch	6.7	0.3	-18.8	41.6	-0.1	-0.4	-19.1	38.8
Nonfarm	12.615	12.776	12.955	13.117	13.319	13.529	13.745	13.940
% Ch	5.3	5.2	5.7	5.1	6.3	6.5	6.6	5.8
Less: Pers. Cont. for Social Ins.	6.838	6.932	7.024	7.111	7.259	7.358	7.458	7.570
% Ch	10.4	5.6	5.4	5.0	8.6	5.6	5.6	6.1
Plus: Residence Adjustment	1.550	1.570	1.591	1.612	1.632	1.655	1.677	1.700
% Ch	5.2	5.5	5.4	5.3	5.3	5.6	5.5	5.5
Dividends/Int./Rent	22.570	22.783	22.980	23.183	23.518	23.799	24.138	24.475
% Ch	4.1	3.8	3.5	3.6	5.9	4.9	5.8	5.7
Transfer Payments	23.756	24.041	24.341	24.624	25.191	25.534	25.872	26.248
% Ch	9.6	4.9	5.1	4.7	9.5	5.6	5.4	5.9
State U.I. Benefits	0.915	0.920	0.926	0.933	0.942	0.946	0.949	0.955
% Ch	0.2	2.1	2.6	3.4	3.9	1.4	1.5	2.6
Other Transfers	22.841	23.121	23.415	23.691	24.249	24.589	24.923	25.292
% Ch	10.0	5.0	5.2	4.8	9.8	5.7	5.5	6.1

TABLE 3.5

Washington Personal Income by Component
Historical Data

	1968	1969	1970	1971	1972	1973	1974	1975
Personal Income	12.062	13.592	14.220	14.954	16.138	18.248	20.670	23.172
% Ch	10.6	12.7	4.6	5.2	7.9	13.1	13.3	12.1
Total Wage and Salary Disbursements	8.215	9.020	9.177	9.381	10.048	11.274	12.622	14.018
% Ch	11.9	9.8	1.7	2.2	7.1	12.2	12.0	11.1
Manufacturing	2.406	2.550	2.291	2.117	2.331	2.699	3.044	3.284
% Ch	10.8	6.0	-10.2	-7.6	10.1	15.8	12.8	7.9
Nondurable Manufacturing	0.561	0.598	0.622	0.636	0.688	0.738	0.825	0.893
% Ch	7.3	6.6	4.0	2.2	8.3	7.2	11.8	8.2
Durable Manufacturing	1.845	1.952	1.669	1.481	1.643	1.961	2.218	2.391
% Ch	12.0	5.8	-14.5	-11.3	10.9	19.4	13.1	7.8
Nonmanufacturing	5.331	5.892	6.282	6.684	7.193	7.942	8.837	9.935
% Ch	12.1	10.5	6.6	6.4	7.6	10.4	11.3	12.4
Other Private Wages	0.029	0.036	0.037	0.041	0.047	0.061	0.065	0.074
% Ch	-1.7	24.6	2.8	11.6	14.7	31.0	6.1	13.5
Farm Wages	0.092	0.113	0.122	0.109	0.107	0.132	0.160	0.193
% Ch	7.0	22.2	7.8	-10.5	-1.4	22.6	21.3	21.0
Military Wages	0.357	0.429	0.446	0.432	0.371	0.441	0.517	0.532
% Ch	19.8	20.2	4.0	-3.3	-14.1	18.9	17.4	2.9
Nonwage Personal Income	3.847	4.572	5.043	5.573	6.090	6.974	8.048	9.154
% Ch	8.0	18.8	10.3	10.5	9.3	14.5	15.4	13.7
Other Labor Income	0.349	0.416	0.446	0.478	0.565	0.655	0.789	0.977
% Ch	19.9	19.4	7.2	7.2	18.1	15.9	20.4	23.9
Proprietor's Income	1.244	1.461	1.398	1.504	1.736	2.103	2.399	2.576
% Ch	2.8	17.4	-4.3	7.6	15.4	21.1	14.0	7.4
Farm	0.242	0.311	0.239	0.299	0.410	0.638	0.748	0.728
% Ch	0.5	28.6	-23.1	25.3	37.0	55.6	17.2	-2.6
Nonfarm	1.003	1.150	1.159	1.205	1.326	1.465	1.651	1.848
% Ch	3.3	14.7	0.8	3.9	10.1	10.5	12.7	11.9
Less: Pers. Cont. for Social Ins.	0.409	0.468	0.464	0.498	0.562	0.725	0.895	1.017
% Ch	11.2	14.4	-0.7	7.3	12.9	28.9	23.6	13.6
Plus: Residence Adjustment	0.102	0.085	0.067	0.066	0.076	0.094	0.136	0.207
% Ch	14.0	-16.7	-21.5	-1.5	15.3	23.8	45.5	51.8
Dividends/Int./Rent	1.476	1.799	1.922	2.061	2.152	2.456	2.787	2.939
% Ch	7.2	21.9	6.8	7.2	4.4	14.1	13.5	5.5
Transfer Payments	1.086	1.278	1.676	1.962	2.123	2.391	2.833	3.472
% Ch	12.9	17.8	31.1	17.1	8.2	12.6	18.5	22.6
State U.I. Benefits	0.040	0.052	0.177	0.238	0.171	0.135	0.169	0.329
% Ch	3.3	31.6	239.4	34.8	-28.3	-21.1	25.2	95.0
Other Transfers	1.046	1.226	1.499	1.724	1.952	2.256	2.664	3.143
% Ch	13.3	17.2	22.2	15.0	13.2	15.6	18.1	18.0

TABLE 3.5

Washington Personal Income by Component
Historical Data

	1976	1977	1978	1979	1980	1981	1982	1983
Personal Income	25.996	28.947	33.990	39.265	44.523	49.627	52.132	55.457
% Ch	12.2	11.3	17.4	15.5	13.4	11.5	5.0	6.4
Total Wage and Salary Disbursements	15.767	17.804	20.891	24.369	27.018	29.833	30.901	31.951
% Ch	12.5	12.9	17.3	16.6	10.9	10.4	3.6	3.4
Manufacturing	3.616	4.073	4.838	5.791	6.473	7.048	7.149	7.025
% Ch	10.1	12.6	18.8	19.7	11.8	8.9	1.4	-1.7
Nondurable Manufacturing	1.030	1.163	1.248	1.445	1.585	1.735	1.813	1.917
% Ch	15.4	12.9	7.3	15.8	9.7	9.5	4.5	5.8
Durable Manufacturing	2.586	2.910	3.590	4.347	4.888	5.313	5.337	5.108
% Ch	8.2	12.6	23.4	21.1	12.5	8.7	0.5	-4.3
Nonmanufacturing	11.253	12.826	15.050	17.509	19.368	21.440	22.222	23.336
% Ch	13.3	14.0	17.3	16.3	10.6	10.7	3.6	5.0
Other Private Wages	0.092	0.117	0.160	0.178	0.202	0.222	0.225	0.233
% Ch	25.1	26.8	36.5	11.1	13.7	10.2	1.3	3.3
Farm Wages	0.251	0.220	0.239	0.266	0.282	0.282	0.336	0.326
% Ch	29.9	-12.4	8.9	11.2	5.8	0.3	19.0	-3.1
Military Wages	0.556	0.568	0.604	0.625	0.694	0.841	0.968	1.031
% Ch	4.4	2.3	6.4	3.4	11.0	21.2	15.1	6.5
Nonwage Personal Income	10.229	11.143	13.099	14.896	17.505	19.794	21.232	23.507
% Ch	11.7	8.9	17.6	13.7	17.5	13.1	7.3	10.7
Other Labor Income	1.185	1.443	1.762	2.042	2.364	2.620	2.837	2.954
% Ch	21.3	21.8	22.1	15.9	15.8	10.8	8.3	4.1
Proprietor's Income	2.780	2.838	3.407	3.584	3.709	3.455	3.248	4.218
% Ch	7.9	2.1	20.0	5.2	3.5	-6.8	-6.0	29.9
Farm	0.510	0.386	0.523	0.477	0.596	0.552	0.412	0.847
% Ch	-30.0	-24.2	35.5	-8.8	24.9	-7.4	-25.5	105.8
Nonfarm	2.271	2.452	2.884	3.107	3.113	2.903	2.836	3.371
% Ch	22.9	8.0	17.6	7.7	0.2	-6.7	-2.3	18.8
Less: Pers. Cont. for Social Ins.	1.064	1.146	1.247	1.458	1.619	1.886	2.022	2.148
% Ch	4.6	7.7	8.8	16.9	11.0	16.5	7.2	6.2
Plus: Residence Adjustment	0.257	0.237	0.280	0.336	0.395	0.427	0.460	0.486
% Ch	24.3	-7.9	18.4	19.8	17.7	8.2	7.6	5.6
Dividends/Int./Rent	3.265	3.698	4.442	5.381	6.570	8.112	8.774	9.491
% Ch	11.1	13.3	20.1	21.1	22.1	23.5	8.2	8.2
Transfer Payments	3.807	4.073	4.455	5.012	6.085	7.066	7.936	8.507
% Ch	9.6	7.0	9.4	12.5	21.4	16.1	12.3	7.2
State U.I. Benefits	0.313	0.254	0.155	0.162	0.338	0.452	0.737	0.745
% Ch	-4.9	-18.9	-39.1	4.7	109.1	33.6	63.1	1.0
Other Transfers	3.494	3.820	4.301	4.850	5.747	6.614	7.199	7.762
% Ch	11.2	9.3	12.6	12.8	18.5	15.1	8.8	7.8

TABLE 3.5

Washington Personal Income by Component
Historical Data

	1984	1985	1986	1987	1988	1989	1990	1991
Personal Income	59.530	63.586	68.505	72.413	77.352	85.838	94.420	101.207
% Ch	7.3	6.8	7.7	5.7	6.8	11.0	10.0	7.2
Total Wage and Salary Disbursements	33.772	35.884	38.392	41.191	44.682	48.872	54.138	57.961
% Ch	5.7	6.3	7.0	7.3	8.5	9.4	10.8	7.1
Manufacturing	7.547	7.989	8.714	9.125	10.009	11.028	11.867	11.731
% Ch	7.4	5.8	9.1	4.7	9.7	10.2	7.6	-1.1
Nondurable Manufacturing	2.044	2.172	2.263	2.382	2.573	2.768	3.030	2.825
% Ch	6.6	6.2	4.2	5.2	8.0	7.6	9.5	-6.8
Durable Manufacturing	5.503	5.817	6.451	6.743	7.436	8.260	8.836	8.905
% Ch	7.7	5.7	10.9	4.5	10.3	11.1	7.0	0.8
Nonmanufacturing	24.562	26.114	27.836	30.082	32.501	35.588	39.763	43.571
% Ch	5.3	6.3	6.6	8.1	8.0	9.5	11.7	9.6
Other Private Wages	0.249	0.277	0.331	0.382	0.444	0.479	0.583	0.639
% Ch	7.0	11.0	19.6	15.3	16.3	8.1	21.5	9.6
Farm Wages	0.327	0.334	0.314	0.318	0.365	0.395	0.468	0.459
% Ch	0.4	2.1	-6.0	1.4	14.9	8.1	18.6	-1.9
Military Wages	1.087	1.171	1.198	1.284	1.364	1.381	1.459	1.562
% Ch	5.4	7.7	2.3	7.2	6.2	1.3	5.6	7.1
Nonwage Personal Income	25.758	27.702	30.114	31.223	32.669	36.967	40.282	43.246
% Ch	9.6	7.5	8.7	3.7	4.6	13.2	9.0	7.4
Other Labor Income	3.031	3.142	3.259	3.359	3.719	4.222	4.779	5.389
% Ch	2.6	3.7	3.7	3.0	10.7	13.5	13.2	12.8
Proprietor's Income	5.043	5.563	6.868	7.369	7.363	8.627	8.799	9.337
% Ch	19.6	10.3	23.4	7.3	-0.1	17.2	2.0	6.1
Farm	0.843	0.382	0.729	0.828	0.655	0.873	0.838	0.890
% Ch	-0.5	-54.7	90.9	13.5	-20.9	33.3	-4.0	6.2
Nonfarm	4.201	5.181	6.139	6.541	6.708	7.755	7.961	8.447
% Ch	24.6	23.3	18.5	6.6	2.6	15.6	2.7	6.1
Less: Pers. Cont. for Social Ins.	2.334	2.588	2.856	3.112	3.525	3.943	4.348	4.605
% Ch	8.7	10.9	10.3	9.0	13.3	11.9	10.3	5.9
Plus: Residence Adjustment	0.541	0.584	0.601	0.653	0.732	0.819	0.905	0.982
% Ch	11.4	7.9	3.0	8.6	12.1	12.0	10.5	8.5
Dividends/Int./Rent	10.500	11.208	11.956	12.215	12.872	14.706	16.268	16.520
% Ch	10.6	6.7	6.7	2.2	5.4	14.2	10.6	1.5
Transfer Payments	8.977	9.794	10.285	10.740	11.509	12.536	13.881	15.623
% Ch	5.5	9.1	5.0	4.4	7.2	8.9	10.7	12.6
State U.I. Benefits	0.498	0.473	0.429	0.403	0.394	0.382	0.462	0.654
% Ch	-33.1	-5.0	-9.4	-6.0	-2.2	-3.2	21.2	41.5
Other Transfers	8.479	9.320	9.856	10.337	11.115	12.155	13.418	14.969
% Ch	9.2	9.9	5.7	4.9	7.5	9.4	10.4	11.6

TABLE 4.1

Selected Inflation Indicators
Calendar Years 1961 to 1997
(Deflator 1987=1.0; CPI 1982-84=1.0)

	Price Deflator *		U.S. CPI #		Seattle CPI +	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1961	0.277	1.1	0.299	1.1	0.293	1.7
1962	0.282	1.6	0.303	1.2	0.298	1.5
1963	0.287	1.7	0.306	1.3	0.302	1.6
1964	0.291	1.7	0.310	1.3	0.306	1.3
1965	0.297	2.1	0.315	1.6	0.310	1.1
1966	0.306	2.9	0.325	3.0	0.319	3.0
1967	0.314	2.5	0.334	2.8	0.328	2.9
1968	0.327	4.3	0.348	4.2	0.342	4.1
1969	0.341	4.1	0.367	5.4	0.358	4.8
1970	0.357	4.6	0.388	5.9	0.374	4.5
1971	0.374	4.8	0.405	4.2	0.382	2.1
1972	0.388	3.9	0.418	3.3	0.393	2.9
1973	0.410	5.7	0.444	6.3	0.418	6.4
1974	0.452	10.1	0.493	11.0	0.464	11.0
1975	0.489	8.2	0.538	9.1	0.511	10.2
1976	0.518	5.9	0.569	5.8	0.540	5.5
1977	0.554	7.0	0.606	6.5	0.583	8.0
1978	0.594	7.3	0.652	7.6	0.640	9.9
1979	0.647	8.9	0.726	11.3	0.709	10.8
1980	0.714	10.4	0.824	13.5	0.827	16.7
1981	0.778	8.9	0.909	10.4	0.916	10.8
1982	0.822	5.7	0.965	6.2	0.978	6.7
1983	0.862	4.8	0.996	3.2	0.993	1.5
1984	0.896	4.0	1.039	4.4	1.030	3.8
1985	0.931	3.9	1.076	3.5	1.056	2.5
1986	0.960	3.1	1.097	1.9	1.066	1.0
1987	1.000	4.2	1.137	3.7	1.092	2.4
1988	1.042	4.2	1.183	4.1	1.128	3.3
1989	1.093	4.8	1.240	4.8	1.181	4.7
1990	1.149	5.2	1.308	5.4	1.268	7.3
1991	1.197	4.2	1.363	4.2	1.341	5.8
1992	1.235	3.1	1.404	3.0	1.390	3.7
1993	1.266	2.5	1.446	3.0	1.429	2.8
1994	1.293	2.1	1.483	2.6	1.478	3.4
Forecast						
1995	1.322	2.3	1.526	2.9	1.521	2.9
1996	1.353	2.3	1.571	2.9	1.563	2.8
1997	1.388	2.5	1.618	3.0	1.611	3.0

* Implicit Price Delfator for Personal Consumptions
\# Consumer Price Index for all Urban Consumers
\+ Consumer Price Index for the Seattle-Tacoma CMSA

TABLE 4.2

Implicit Price Deflator

Selected Component Indices

Calendar Years 1961 to 1977

(1987=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1961	0.244	2.0	0.272	0.7	0.182	2.5	0.302	-1.0
1962	0.248	1.5	0.276	1.3	0.182	0.3	0.304	0.6
1963	0.252	1.6	0.280	1.7	0.186	1.8	0.303	-0.3
1964	0.256	1.7	0.286	2.0	0.184	-0.9	0.301	-0.6
1965	0.261	2.2	0.292	2.0	0.188	2.3	0.312	3.7
1966	0.269	3.0	0.304	4.1	0.193	2.7	0.320	2.4
1967	0.279	3.5	0.308	1.5	0.199	3.1	0.330	3.3
1968	0.291	4.3	0.319	3.7	0.205	3.1	0.335	1.4
1969	0.303	4.1	0.335	4.9	0.210	2.1	0.346	3.3
1970	0.319	5.3	0.358	6.8	0.219	4.5	0.349	0.9
1971	0.338	6.0	0.370	3.3	0.233	6.5	0.351	0.7
1972	0.353	4.4	0.385	4.1	0.235	0.8	0.356	1.2
1973	0.369	4.6	0.427	11.0	0.270	14.8	0.390	9.7
1974	0.397	7.6	0.490	14.6	0.427	58.2	0.527	35.0
1975	0.430	8.2	0.529	8.0	0.467	9.4	0.562	6.8
1976	0.462	7.4	0.547	3.4	0.499	6.8	0.586	4.3
1977	0.500	8.2	0.580	6.1	0.563	13.0	0.620	5.8
1978	0.540	8.1	0.634	9.3	0.593	5.3	0.647	4.4
1979	0.583	8.0	0.699	10.3	0.802	35.3	0.870	34.3
1980	0.644	10.5	0.762	9.0	1.106	37.8	1.204	38.4
1981	0.709	10.1	0.823	8.0	1.342	21.4	1.339	11.2
1982	0.767	8.2	0.855	4.0	1.326	-1.2	1.274	-4.9
1983	0.819	6.8	0.876	2.5	1.246	-6.1	1.232	-3.2
1984	0.862	5.2	0.911	3.9	1.273	2.2	1.214	-1.5
1985	0.908	5.3	0.934	2.5	1.229	-3.4	1.225	0.9
1986	0.957	5.5	0.965	3.3	0.998	-18.9	0.964	-21.3
1987	1.000	4.5	1.000	3.6	1.000	0.3	1.000	3.8
1988	1.051	5.1	1.039	4.0	1.004	0.3	1.009	0.9
1989	1.106	5.3	1.098	5.6	1.046	4.3	1.103	9.3
1990	1.167	5.5	1.155	5.2	1.260	20.4	1.256	13.9
1991	1.225	5.0	1.198	3.8	1.212	-3.8	1.239	-1.4
1992	1.277	4.2	1.218	1.6	1.165	-3.8	1.233	-0.5
1993	1.323	3.6	1.240	1.8	1.163	-0.2	1.222	-0.9
1994	1.364	3.1	1.269	2.4	1.147	-1.4	1.229	0.6
1995	1.406	3.1	1.302	2.6	1.125	-1.9	1.251	1.8
Forecast								
1996	1.447	2.9	1.347	3.5	1.099	-2.3	1.252	0.1
1997	1.494	3.2	1.378	2.3	1.077	-2.0	1.251	-0.1
1998	1.543	3.3	1.412	2.5	1.093	1.5	1.277	2.1
1999	1.595	3.4	1.449	2.6	1.151	5.3	1.298	1.7

TABLE 5.1

Total Resident Population and Components of Change

1970-1999

(Thousands)

	Population *	Percent Change	Change	Births	Deaths	Net Migration
1970	3413.3	16.3	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.2
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.2
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	94.0
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.4	153.2	3.8	65.4	31.3	119.1
1981	4229.3	96.9	2.3	68.2	31.8	60.6
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5000.4	133.7	2.7	79.1	36.6	91.2
1992	5116.7	116.3	2.3	80.2	37.2	73.2
1993	5240.9	124.2	2.4	79.1	39.4	84.5
1994	5334.4	93.5	1.8	78.2	39.5	54.9
1995	5429.9	95.5	1.8	77.0	39.9	58.4
Forecast						
1996	5507.9	78.0	1.4	76.7	40.7	42.0
1997	5585.1	77.2	1.4	77.1	41.5	41.5
1998	5667.2	82.1	1.5	77.7	42.3	46.7
1999	5754.9	87.8	1.5	78.6	43.2	52.3

* Population on April 1 of Each Year

TABLE 5.2

Washington Population

(Thousands)

	Estimated		Forecast			
	1994	1995	1996	1997	1998	1999
Total Population	5334.4	5429.9	5507.9	5585.1	5667.2	5754.9
Percent Change	1.8	1.8	1.4	1.4	1.5	1.5
Age 17 and Under	1434.4	1463.4	1483.6	1501.4	1515.4	1529.2
Percent of Total	26.9	26.9	26.9	26.9	26.7	26.6
Age 6-18	1001.3	1031.2	1060.0	1086.5	1111.6	1129.0
Percent of Ttotal	18.8	19.0	19.2	19.5	19.6	19.6
Age 18 and Over	3900.0	3966.5	4024.3	4083.7	4151.8	4225.7
Percent of Total	73.1	73.1	73.1	73.1	73.3	73.4
Age 21 and Over	3703.5	3763.9	3815.6	3867.7	3924.3	3985.7
Percent of Total	69.4	69.3	69.3	69.3	69.2	69.3
Age 20-34	1202.2	1188.6	1166.8	1156.0	1145.3	1141.5
Percent of Total	22.5	21.9	21.2	20.7	20.2	19.8
Age 18-64	3281.9	3338.9	3387.2	3440.7	3502.3	3570.0
Percent of Total	61.5	61.5	61.5	61.6	61.8	62.0
Age 65 and Over	618.1	627.7	637.2	643.0	649.5	655.7
Percent of Total	11.6	11.6	11.6	11.5	11.5	11.4

Source: Office of Financial Management

Glossary

Biennium: The state's two year budget cycle. The current Biennium (1993-1995) started on July 1, 1993 and ends June 30 1995. The 1996-1997 Biennium starts July 1, 1995 and ends June 30 1997.

Cash Basis: Cash Revenues received during a period. The Forecast Council forecasts revenues on a **Cash** and **GAAP** (Generally Accepted Accounting Principles) basis. The **Cash** forecast measures cash expected during a period. The GAAP forecast measures revenues expected to be accrued during a period.

CPI: The Consumer Price Index for Urban earners and clerical worker. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas. The BLS also tracks a Seattle-Snohomish CPI. It updates this twice a year.

Tax Elasticity: A measure of how tax revenues respond to changes in personal income. If tax revenue elasticity is greater than one, a one percent change in personal income will be associated with more than a one percent increase in tax revenues. If elasticity is less than one, a one percent increase in personal income will be associated with a less than a one percent increase in tax revenues.

Fiscal Year: The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 1995, for example, runs from July 1, 1994 through June 30, 1995.

GAAP Basis: Government revenues measured using **Generally Accepted Accounting Principles**.

General Fund: The state's treasury fund. All appropriations not supported by dedicated revenue sources (about 65 percent of state revenues) go to the general fund.

Implicit Price Deflator for Personal Consumption Expenditures (IPD): The price deflator used to compute real consumption expenditures. The IPD and the CPI are the most widely used measures of inflation.

Mortgage Rate: The average interest rates on 25 year conventional loan (as reported by the Federal Home Loan Bank Board).

Non-Wage Income: Personal income not coming from wages and salaries. It includes proprietor's income, interest, dividends, and rent, employers contributions to private pension funds, and transfer payments.

Real GDP: Gross Domestic Product adjusted for inflation.

Personal Income: Income from wages, salaries, other labor payments, proprietorships, interest, dividends, rent, and transfer payments, less employee social security contributions.

Seasonally adjusted: A statistical series adjusted for seasonal variations. Monthly statistics, such as the unemployment rate, are seasonally adjusted to make month-to-month comparisons possible.

Wage and Salary Employment: Part-time and full time workers receiving wages or salaries on the 12th day of the month. This statistic **excludes** the self-employed, members of the armed forces, private household employees, and workers on strike.

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